

ay July 12  
10

rates

trated or technical issues linked to the monthly stock market and the end of the year. The account period for the CAC index fell 1.1 per cent in volume similar to yesterday's thin L77.7. The insurance sector was troubled by concerns over a major accident. The CAC 40 index moved down 0.7 per cent to 3,614.14, while the eurozone would have its holding.

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Three men who hijacked a security van at Hong Kong airport got away with over \$21.5m (£14.4m) worth of currency - the biggest cash robbery in the British colony.

Indian factory fire.

About 30 people died and 70 were injured in a blaze at a fireworks factory in Tamil Nadu state, southern India.

Girl held to ransom.

Kidnappers demanded \$2m (£1.2m) ransom after snatching the 14-year-old daughter of a wealthy Lebanese gem dealer from a villa in Greece. The family's household died after being chloroformed by the kidnappers.

Shooting in Algiers.

Two people were wounded in renewed violence in Algeria. Islamic militants demonstrated near a mosque in the capital in support of two leaders arrested last month.

MARKETS

STERLING

New York lunchtime:

\$1.652

London:

\$1.6495 (1.6085)

DM2.955 (2.95)

FF10.0175 (9.925)

SF2.555 (2.555)

Y225.5 (222.75)

£ index 90.4 (89.5)

GOLD

New York: Comex Aug

\$369.6 (368.0)

London:

\$368.15 (367.98)

M S&P CH (Argus)

Brent Aug

\$37.75 (37.325)

Gold price changes

yesterday. Page 22

SELLING PRICE IN IRELAND 80p, IN MALTA 45c

## Weekend FT

Inside Section II  
20 pages



First they laughed,  
now they'll cry

Woody Allen (left) tells Nigel Andrew why he finds tragedy more satisfying than comedy

page XX



Caviare for the bear

The champagne lifestyle of Moscow's black market capitalists

page I

Many happy returns?

Interest rates are falling but think twice before you move your money into equities

page II



Road to Marrakesh

The barren majesty of the desert and the sensuous delights of the souk

page XV

Those in peril

The gale-blown adventures of a modern-day galley slave

page XV

EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

FT No. 31,503  
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Weekend July 13/July 14 1991

D 8523A

**WORLD NEWS**  
Last allied forces set to pull out of northern Iraq

The last allied forces will leave northern Iraq by Monday, the Pentagon said yesterday - but Washington warned it would intervene under further threat. A multinational, rapid response force will be set up in Turkey to protect Iraq's Kurds.

Meanwhile, US president George Bush has approved a list of Iraqi targets that would be bombed if Baghdad ignored UN orders to destroy its nuclear technology. Page 10

**Kurds storm embassy.**

Fifty three people were arrested in London after Kurdish demonstrators stormed and ransacked the Turkish embassy. The demonstrators were protesting at Turkey's treatment of Kurds. Page 5; picture, Page 22.

**China's floods worsen.**

Floods which have already killed nearly 1,200 people in China show no signs of abating. In northern Bangladesh, at least 300,000 people are homeless or marooned after a river burst its banks.

**Soviet call to G7.**

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Two people were wounded in renewed violence in Algeria. Islamic militants demonstrated near a mosque in the capital in support of two leaders arrested last month.

## BUSINESS SUMMARY

**Time Warner proposes new £1.7bn rights issue**

TIME Warner, US entertainment and media group, met to discuss approval of a new \$2.75bn (£1.7bn) fully-underwritten rights issue. An earlier proposal to raise up to \$3.5bn (£2.3bn) which was not underwritten or at a guaranteed price, had come under attack from shareholders and the Securities and Exchange Commission (SEC). Page 10

**FINIDUS**, part of the Nestle food group, plans to close its plant in Grimsby, Humberside, with a loss of 300 jobs, ending the company's UK production of fish fingers and other frozen coated fish. Page 22

**UK EQUITIES**: A half-point cut in base rates where optimists had been seeking a point cut and disappointing news on domestic inflation cast a cloud over the equity market.

**FT-SE 100 index**

Hourly movements

2,530

2,520

2,510

2,500

2,490

2,480

2,470

2,460

8 July 1991 12

with immediate effect for new borrowers and from August 1 for existing customers.

Barclays, Midland and Lloyds, three of the Big Four clearing banks, and several other large building societies, including Nationwide, Leeds Permanent and Bristol & West also cut their main mortgage rate by 11.5 per cent.

Abbey National, the retail bank which is the second largest UK mortgage lender, said it would reduce its rates in time for existing customers to benefit from August 1.

Halifax Building Society cut its base mortgage rate by 12.45 per cent to 11.5 per cent.

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Concerted intervention by many of the world's most powerful central banks yesterday pushed down the value of the dollar in a confidence-boosting exercise before next week's Group of Seven summit. Governments

appeared to have ordered the action, the most sweeping move to cap the dollar since 1989. Last night it closed in London at DM1.7890, down 4½ pfennigs, and sterling gained more than 4 cents, to 51.6495.

The impact of the widely expected cut in base rates, the sixth reduction of half a percentage point since mid-February, was partly overshadowed by the Central Statistical Office's announcement on

CSO officials said a sharp rise in seasonal food prices, caused by bad weather, was behind inflation's failure to fall to its expected rate of about 5.6 per cent. Price rises for alcoholic drinks, electricity, and motor油 costs also raised the index in June.

Mr Norman Lamont, the chancellor of the exchequer, was confident that inflation would fall to 4 per cent by the end of the year after the government's "excellent progress in reducing inflation over the last eight months".

However, news on underlying price changes was poor.

The Treasury's preferred measure of inflation, which ignores mortgage interest payments,

rose to 6.9 per cent from 6.7 per cent. Excluding the poll tax also, underlying inflation climbed to a 10-year high of 8.9 per cent in June.

Continued on Page 22

Food prices, Page 4

Editorial Comment, Page 6

Little room left for manoeuvre

Lex, Page 22

Rate trimmed, Wkd, III

## Home loans follow base rate lower

By Peter Marsh, Rachel Johnson and David Barchard

THE government shrugged off disappointing inflation figures yesterday by cutting interest rates by half a percentage point, in an effort to inject life into the flagging economy.

Within minutes of the Bank of England cutting its money-market dealing rates, UK clearing banks brought down their base rates from 11.5 per cent to 11 per cent, while mortgage lenders reduced the costs of buying homes.

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expected cut in base rates, the sixth reduction of half a percentage point since mid-February, was partly overshadowed by the Central Statistical Office's announcement on

inflation. The annual rise in the retail prices index stayed at 5.8 per cent last month. Headline inflation had previously fallen steadily each month since a peak of 10.9 per cent in September.

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## INTERNATIONAL NEWS

Gorbachev's meeting with world leaders is expected to overshadow the main summit

# G7 seeks to limit weapons proliferation

By Peter Riddell, US Editor, in Washington

**WORLD** leaders will attempt to limit proliferation of weapons of mass destruction and agree on an extensive programme of assistance for Soviet economic reform at next week's Group of Seven summit in London.

However, a draft of the summit communiqué prepared by the sherpas, or leaders' personal representatives, suggests there will be little advance on other contentious issues such as economic policy co-operation, the Uruguay Round trade talks and global climate change.

Several countries are seeking to build on this week's discussions in Paris of the five

permanent members of the United Nations Security Council about curbing arms sales in the Middle East.

A commitment is likely on strengthening non-proliferation regimes for nuclear, biological and chemical weapons as well as broadening discussions on sales of conventional weapons to cover the world, rather than just the Middle East. This is to prevent excessive build-ups of such weapons and would be reinforced by a new UN register of sales to achieve greater transparency.

Recognising that the summit will be overshadowed by the meeting next Wednesday with President Mikhail Gorbachev,

the leaders seem prepared to fudge on most other matters.

On the currently stalled trade talks, the leaders do not want to risk a repetition of last year's failure at the Houston summit, when a lengthily negotiated compromise on farm subsidies soon disintegrated. The most that is indicated by the alternative language in the current draft is a slight strengthening of tone in the instructions to the negotiators to complete talks as quickly as possible.

On economic policy, the communiqué will reaffirm the fiscal and monetary approach adopted by finance ministers and central bank governors in

London last month, which is intended to lead to lower real interest rates. The agreed formula refers to broad recognition among summit participants that sustained economic growth with price stability is needed, while accepting that specific policies will have to reflect differing circumstances in the different countries.

On the environment, the main emphasis will be on next June's Rio United Nations conference; its importance will be underlined by a pledge by G7 leaders to attend.

There is still uncertainty about the precise wording in view of US reluctance to agree to specific targets on carbon dioxide emissions, but most participants are pressing for firm commitment to an international convention establishing clear guidelines for a reduction in greenhouse gas emissions.

• The Japanese government yesterday allocated a further \$1m (£625,000) to support the UN special commission on the elimination of weapons of mass destruction and missiles in Iraq.

The allocation brings to \$2.5m Japan's total support for the commission, which was established for the purpose of inspecting and destroying Iraq's chemical and biological weapons.



Gorbachev: he is offering the West a radical conversion of Soviet defence industries

## Weighty bout of whelks and double cream

By Ivo Darnay, Political Correspondent

**CRITICS** of extravagant international summits sometimes come unstuck.

Not too long after Bishop John Fisher castigated Henry VIII and Francis I of France for their expensive extravagance at the Field of the Cloth of Gold near Calais, he found himself on the beheading block.

The highlight of the 1520 summit – England's first venture into political showbiz – was when Henry challenged Francis to a bout of wrestling and ended up humiliatingly floored by his lighter though wily opponent.

"They amused themselves greatly and nobody died," Sir Geoffrey Elton, the distinguished Tudor historian,

relates. "But as piece of politeness it was wholly futile."

Efforts have been under way for some time to persuade the watching world that next week's Group of Seven extravaganza in London is something more than a photo-opportunity for the ruling class of '91.

But an agenda laden with weighty issues looks, nevertheless, certain to be swamped by the peripheral detail of how the world's top table and their diplomatic and media camp followers enjoy themselves at their taxpayers' expense.

Summers, after all, is not new, only bigger. In the 1920s, the so-called London six parties allowed British, German and French foreign secretaries

to solve Europe's problems for little more than the price of a pot of Earl Grey and a few thinly-cut cucumber sandwiches, served at a comfortable spa hotel.

Next week, however, audiences worldwide will be treated to what is in effect another G10, a G7 swelled by the attendance of the European Community's commission and council presidents, Mr Jacques Delors and Mr Rand Labeau, the Dutch prime minister, as guest stars and a late show-stopping walk-on role for President Mikhail Gorbachev as the finale.

The news diet will also tell of what their 4,000 meals and 1,200 government representatives have on their plates; it

includes 28,000 meals, comprising 525lbs of beef, 34 fresh salmon, 4,600 lettuces and strawberries with 100 gallons of double cream. For three days, Messrs Major, Kohl, Mitterrand, Bush, Kaifu, et al sweep in some 200 motorcades between their residences and the nineteenth century gilded "talking shop" of Lancaster House in St James's. Dinners are scheduled at Buckingham Palace – followed by a laser show – and the Tower of London.

Other entertainments include the Royal Tournament and visits to Covent Garden for jellied eels and whelks. Mr Jeremy Thorpe, the foreign office organiser, was confident yesterday all would go

according to plan, though he admitted that he had recently averted a potential disaster when someone had forgotten to inform the Palace of two non-attendees for the banquet. Like all parties, however, at least one guest is already saying it should be a less flashy affair. President François Mitterrand complained to Mr Neil Kinnock last week that the whole thing had lost the intimacy of the original French summit at Rambouillet in 1976.

That comes somewhat strangely from the master of ceremonies at the 1989 show which just happened to coincide with the massive bicentennial celebrations of the French Revolution.

## Spain sees 5% target for inflation within reach

By Tom Burns in Madrid

SPAIN'S consumer price index rose 0.3 per cent in June lifting the accumulated price rise in the first six months of the year to 1.1 per cent and bringing within reach the government's target of a 5 per cent rise in inflation at the end of this year, against a 6.5 per cent growth to December 1990.

Underlying inflation, measuring consumer price rises excluding food and energy, slipped from an annualised 6.4 per cent at the end of May to 6.3 per cent, fueling hopes that inflation might be prepared to lower interest rates.

Other figures published yesterday by the Economy Ministry suggested however that the government would continue its tight monetary policy.

Credit to the private sector increased by 15.5 per cent in the first six months of the year, five points above the Bank of Spain's guidelines, and the broad money supply measure (ALP) grew by 11.5 per cent, 1.5 points above its target rate.

**Canada aids air crash probe**

Canada's Transportation Safety Board has sent a team to help the Saudi authorities investigate Thursday's crash of a Canadian-owned DC9 near Jeddah, killing 247 passengers and 14 crew, writes Robert Gibbons in Montreal.

The aircraft was owned by Nationalair, Canada's largest charter airline, and leased short-term to HoldTrade, of Nigeria, in turn owned by a son of the Nigerian Moslem leader, the Sultan of Sokoto.

It was carrying Nigerian pilgrims home from Mecca. The crew was Canadian.

**New constitution for Bulgaria**

Bulgaria's constitution was signed by 307 of the Grand National Assembly's 400 MPs yesterday, thus enshrining it as the country's fourth constitution since 1879, Ben Crampson writes from Sofia. The signing came despite opposition protests that it was insufficiently democratic and consolidated communist rule.

**Grenada court rejects appeals**

The Grenada Court of Appeal has dismissed eight of 38 grounds of appeal brought by 17 people convicted of the 1983 murder of then-prime minister Maurice Bishop, Reuter reports from St George's.

Bishop and his associates were killed in a power struggle with a more radical faction of his New Jewel Movement. A US-led invasion force toppled the junta that had seized power. Among the 14 later sentenced to hang was Bernard Coard, Bishop's deputy prime minister.

The court will continue with the case on Thursday.

## Iraq pullout nearly complete

By Peter Riddell and David White

US AND allied forces will complete their withdrawal from northern Iraq by Monday, though they stand ready to intervene again if there are further threats to the Kurds.

Confirming the withdrawal of the final 1,400 US troops (out of a total of 3,300 in northern Iraq), the Pentagon said the allies had warned Baghdad that they maintained "a clear interest in peace within Iraq and [are] willing to respond militarily to Iraqi actions that disturb the peace."

Moreover, a Pentagon spokesman warned that no Iraqi aircraft, fixed or rotary-wing, should fly north of the 36th parallel, which broadly defines the area where the Iraqi Kurds are concentrated.

The US and allied forces were deployed in May to protect the Kurds, who were then fleeing in large numbers over the Turkish and Iranian borders.

The proposed British contribution to the new US-led deterrent force in southeast Turkey consists mainly of a company

of Royal Marines – probably about 120 men. They will be backed up by support troops.

But UK defence officials said details of the deployment had still to be worked out. The Royal Marine contingent is expected to come from the UK force of 1,100 which has been deployed in northern Iraq.

Separately, President Bush has been continuing consultations with allies about possible actions against the Baghdad regime if Iraq fails to disclose the locations of all its nuclear facilities and destroys all equipment which can be used to make nuclear weapons.

Officials yesterday confirmed a report that Mr Bush had provisionally confirmed a target list of about 20 Iraqi command and control centres which would be bombed if Iraq continues to ignore UN resolutions requiring the destruction of its nuclear technology.

## Southmark sues Drexel executives

SOUTHMARK, the Texas-based property and thrift business which filed for Chapter 11 bankruptcy protection in July 1989, has launched a \$200m (£124m) lawsuit against current and former executives at Drexel Burnham Lambert, writes Nikhil Tait in New York.

Among those targeted by Southmark is Mr Michael Milken, who ran Drexel's West Coast junk bond department.

Drexel, the controversial investment bank which sprang to fame largely because of its role in pioneering the junk bond market, is itself under Chapter 11 protection and is

currently settling securities litigation filed against it.

The suit, which was filed in the federal courts, charges Mr Milken and others at Drexel with "saddling" Southmark with a crushing burden of public debt" and encouraging the company "to divert the proceeds of that debt from legitimate operating needs to highly speculative investments."

The balance of high cost public debt in excess of the legitimate operational needs of the company and the investment of the excess proceeds in speculative junk bonds, were completely inconsistent with

Southmark's financial interests," alleges the suit.

The suit names 21 defendants besides Mr Milken, including his brother, Lowell, Mr Fred Joseph, former Drexel chief executive and Mr Bruce Newring, the junk bond trader. It also alleges that several Drexel affiliated partnerships earned "exorbitant and illegal profits" by manipulating the sales and resale of securities which Drexel had underwritten to Southmark.

Southmark's period under Chapter 11 was costly and the company is now in a forced liquidation.

Imports would fall by 47 per cent.

The figures, published by the Soviet news agency Interfax, estimated oil exports would drop to between 80m and 85m tonnes (1m to 1.1m barrels per day) from actual 1990 exports of 108.6m tonnes.

The Moscow-based Sovmark research centre said exports in 1991 would be down 27 per cent from last year and

## Producer prices fall in US

By Michael Prowse in Washington

UNEXPECTEDLY weak figures for US wholesale prices and retail sales yesterday reinforce expectations of a slow economic recovery with little upward pressure on inflation.

The producer price index for finished goods fell 0.3 per cent between May and June, a sharper decline than expected in financial markets.

The fall in the price of industrial inputs should feed through into better figures for retail price inflation, which has hovered at about 4.5 per cent in the past year.

The drop in producer prices took the annual rate of wholesale price inflation to 3.5 per cent in June.

The fall in producer prices

coincides with the visit of

Lord Reay, the industry and technology minister leading the mission, said the visit could help open up long term projects for UK industry in the Soviet domestic market as well as collaboration programmes in third countries.

Prospects appear at this stage especially promising for UK companies to co-operate in the Soviet Union on aero-engine and avionics ventures.

British Aerospace has also

cooperated with the Soviet

airline Aeroflot on

ATP turboprop aircraft in the Soviet Union.

A report prepared for the

Soviet carrier.

## Britain sets sights on Soviet airliner market

By Paul Betts, Aerospace Correspondent

THE UK aerospace industry is stepping up efforts to secure long term collaboration projects in Soviet civil aviation with a trade mission to Moscow.

No immediate deals are expected to be clinched during the six day visit, but Lord Reay, the industry and technology minister leading the mission, said the visit could help open up long term projects for UK industry in the Soviet domestic market as well as collaboration programmes in third countries.

About 80 per cent of the fleet of Soviet airliners of 3,900 aircraft is expected to be retired during this period. The report estimates a Soviet requirement for 3,600 new aircraft worth \$110bn if air traffic grows by 2 per cent a year over the next 20 years.

This would increase to 5,600 aircraft worth \$180bn if air traffic were to grow by 4.5 per cent a year during this period.

The UK trade mission also coincides with the visit to London next week of President Mikhail Gorbachev. British Airways is expected to sign an agreement to form a new Moscow-based joint airline venture with Aeroflot, the Soviet carrier.

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## Rescue hope for Tajik power plant

By Our Foreign Staff

GEC Alsthom, the Anglo-French heavy engineering group, said yesterday it was eager to provide spare parts for the 30-year-old Takab hydroelectric station in Soviet Tajikistan, which has run out of its last crucial parts dating from the 1960s.

Mr Alan Stothard, director and general manager of Neyric, the water turbine subsidiary of GEC Alsthom, said yesterday that the Tajik plant's lack of hard currency was an obstacle. But the necessary funds might be available from planned tourist development in the region.

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## ACCOUNTANTS

# Dispute breaks out over auditing of group

By David Waller

A DISPUTE has broken out between Price Waterhouse and Ernst & Young, two of the UK's largest accountancy firms, over the circumstances under which Ernst & Whitney - now part of Ernst & Young - resigned as auditor to the Luxembourg-based BCCI (Holdings) in April 1987.

After E&Y resigned Price Waterhouse was appointed auditor to the BCCI group, hav-

ing previously been auditor only to BCCI (Overseas) Ltd, based in the Cayman Islands. PW subsequently worked closely with the Bank of England over the years, producing ten reports for the Bank, the last one of which provided evidence of fraud and led the Bank to close down BCCI last week.

The Bank of England has indicated that in early 1987 it

was putting pressure on the BCCI board to employ a single firm of auditors. However, yesterday Ernst & Young strongly rejected any suggestion that it resigned under pressure from the Bank of England.

Ernst & Young said yesterday that E&W resigned as a matter of principle after expressing grave reservations to the BCCI board of directors on a number of counts, includ-

ing the adequacy of management resources at a senior level, the lack of management information systems, and the fact that BCCI continued to be audited by two firms of accountants rather than just one.

Price Waterhouse yesterday cited a letter written by Ernst & Whitney to the BCCI board in April 1987 in which the firm offered itself for re-election as auditor, provided it could audit

the entire group and not just BCCI (Holdings). The letter said that E&W had received assurances from the management that it would take action to strengthen its management resources and its systems.

Ernst & Whitney wrote to the board in April 1987 saying that it would not offer itself for re-election because it was not going to be appointed auditor to the whole group.

## IBCA LETTER

*The following is the text of a letter sent by a senior executive of IBCA in March 1990 to a client who requested details about BCCI. You have asked us to provide you with some brief comments on BCCI. As you are aware, we do not rate this company, but the following comments may be of some help.*

After a period of rapid growth in the 1970s and 1980s, BCCI's results in recent years have been less satisfactory, with the bank reporting declining earnings in the period 1985-1988. Reasons for these declines have included very large losses in 1988 which raised some questions on the quality of the bank's controls and, more recently, rising private sector losses and, also, sovereign debt problems.

BCCI has a large exposure to Nigeria, and if it complies with the Bank of England matrix requirements, it may well result in the bank reporting a loss for 1989, having already reported losses for 1988. As you are aware, BCCI has been involved in criminal investigations in the US with regard to the laundering of drug money, to which it has pleaded guilty.

The bank's president and founder, Mr Abdi, who was very much involved in the growth of the bank, has been very ill in the last two years and, hence, played less part in its development.

BCCI is controlled by a Luxembourg holding company and cannot look to any of the recognised central banks to act as a lender of the last resort.

If we were to rate BCCI, I believe our Legal Rate would be 5 and, on the basis of published data, our Individual Rating would be somewhere between C and D.

I hope this is of some help.

## CAYMAN ISLANDS

### Receiver to publish interim report

By Bernard Simon

THE RECEIVER overseeing the affairs of the BCCI group in the Cayman Islands is expected to publish an interim report within the next fortnight clarifying the financial position of the three main units of the bank registered in the Caribbean tax haven.

The receiver, auditors Deloitte Ross Tohmatsu, is bringing in extra staff from Canada to unravel the affairs of BCCI whose three offices and a warehouse have been under police guard since its assets were frozen on July 5.

The Cayman investigations are complicated by the fact that many transactions handled by the local bank were not initiated on the island.

Mr John Atkinson, the island's inspector of banks and trust companies, said yesterday that any action taken by the Cayman authorities on the receiver's report is likely to be closely co-ordinated with moves by the Bank of England and the Luxembourg Monetary Institute.

BCCI's Cayman-based assets totalled about \$7bn (£4.35b) at the end of 1989, roughly the same as those held by the bank in Luxembourg. However, there are indications that the figure has shrunk since then, in line with the restructuring which was taking place within the group.

BCCI employed about 70 people on the Caymans.

## WESTERN ISLES COUNCIL

### Worst affected council expects more dismissals

By James Suxton, Scottish Correspondent

FURTHER blood-letting may be in prospect for the Western Isles council, the Scottish local authority which lost £23m in loans to BCCI, following the suspension on full pay of Mr Donald Macleod, the council's director of finance, on Thursday night.

Mr Angus Graham, a leading councillor, said yesterday: "If the council find at the end of the day that it was ill-advised by its senior officials, I hope it will face up to what it has to do in those circumstances." That could mean officials losing their jobs, he implied.

Councillors' criticism has been directed at Mr George Macleod, the chief executive, who admitted that the first he knew of the existence of lending to BCCI was when the director of finance told him on Tuesday that the £23m had been lost.

Yesterday The Rev Donald Macaulay, the council's convenor, said that the council's suspension of the director of finance did not involve any suggestion of impropriety against him.

Officials are working on a report on the council's involvement with BCCI, as well as financial options for the future, to be presented at a full council meeting next Tuesday.

It has emerged that about £15m of the £23m was money which the council had recently borrowed in order to make loan repayments on its capital

account over the next few months.

Among the rest was grant money recently received from the Scottish Office for current expenditure.

The council expects current spending of £55m this year and had budgeted for £20m of capital spending.

Councillors believe it will not have to make immediate cuts in services or council jobs because of the loss.

Difficulties will come in future years as the extra borrowing which will now be necessary to finance the lost money has to be serviced from the revenue account.

That is likely to mean cuts in services, the rephasing of capital projects and an higher poll tax than the current 1.7%.

Western Isles councillors still hope the Scottish Office will assist them with increased grant payments to help service the extra borrowing.

But the Scottish Office is echoing Mr John Major's line that the government will not bail out councils which lost money with BCCI.

The prime minister has told the 60 authorities whose investments have been frozen amid allegations of large-scale corruption at BCCI they have only themselves to blame. Stockport, which invested £1.1m, has said it would be ready to act as guinea pig in any legal action for compensation.

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want our jobs back, we want justice," the crowd shouted.

Meanwhile, employees yesterday morning received a letter from Touché Ross, BCCI's liquidator, informing them that they will be able to draw a sum roughly equivalent to a week's wages, but up to a limit of £2500, on Tuesday, July 16.

Touché said it was possible some employees may not have received the letter, and anyone who has not had it by Monday next week is advised to contact its advice line on 071-480-7766, or to write to Mr Peter Thurston, Personnel Department, BCCI, 119 Cannon St, London EC4N SAX.

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## Suspended union chief to get his job back

By Diane Summers, Labour Staff

THE GENERAL secretary of Ucatt, the troubled construction union, who was suspended from his post in May, is to get his job back from Monday. Ucatt's general council has ruled that Mr Albert Williams was wrongly suspended by the executive.

However, the general council also voted to support an independent investigation into allegations of ballot rigging and the running of the union in recent years. Mr Williams could again face the prospect of suspension when the inquiry, which is being conducted by Mr John Hands QC, reports after the summer.

The suspension of Mr Williams, backed by the commissioner for the rights of trade union members, began a High Court action last month in an effort to get his job back. It is likely, now that the suspension has been lifted, that further legal action by Mr Williams will be dropped.

Ucatt's general council, an appeals body which is rarely convened, found that Mr Williams had been wrongly suspended by the executive because no misconduct had been proved and the proper procedures not followed.

There is some doubt that Mr Williams will be fit to resume his duties on Monday, he has been ill in hospital for the past week. A statement was read out on his behalf at the seven-hour general council meeting on Thursday night.

He said though his solicitors yesterday: "I'm very pleased that my trust in the general council, the supreme body of the union, has been vindicated." He was said to be expecting to leave hospital this weekend and would return to work "as soon as he is medically fit to do so".

## Divisions on TGWU merger plan

By John Gapper, Labour Editor

DIVISIONS within the Transport and General Workers' Union over the proposal to merge with the National Union of Mineworkers were exposed yesterday at the TGWU's biennial delegate conference in Blackpool.

The conference approved a policy of seeking a merger with the NUM, without setting pre-conditions. However, there were some protests from delegates about accepting Mr Arthur Scargill, NUM president, as a TGWU officer.

Mr Ian Male, a delegate from the TGWU's Yorkshire region, predicted that 100,000 of the union's 1.3m members would leave if Mr Scargill was allowed into the merged union along with the NUM's 33,000 members.

His remarks were denounced by another delegate from the same region as "a despicable attack on Arthur Scargill".

The debate was part of an attempt by Mr Bill Morris, who has been elected to succeed Mr Ron Todd as TGWU general secretary, to seek a more active merger policy in order to reverse the union's membership decline since 1979 and its decline of 15 per cent.

Mr Scargill has indicated that he would want to be an official in a merged union.

## MORGAN GRENFELL

Morgan Grenfell announces that its Base Rate is reduced from 11.5% to 11% per annum with effect from 12 July 1991 until further notice.

All facilities (including regulated consumer credit agreements) with a rate linked to Morgan Grenfell Base Rate will be varied accordingly.

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## Benefits agency chief presents 'staff charter' plan

By Andrew Adonis

A "STAFF CHARTER" for civil servants to accompany the forthcoming Citizens Charter for consumers is being drawn up by the Social Security Benefits Agency, the largest of the Civil Service's semi-autonomous administrative agencies.

The agency, which has 70,000 employees distributed in 500 offices across the country, expects to publish the charter early in autumn.

It will state about 10 "fundamental principles" governing the working rights of employees, including commitments to adequate working conditions, to flexible working practices, to consultation for junior employees and to benefits such as health screening for the over-35s.

It is sure to attract keen interest in Whitehall and across the public sector. Attention will focus on whether its principles, and associated redress procedures, go beyond existing contractual and negotiated rights.

Plans for the charter were revealed at an Industrial Society conference yesterday by Mr Michael Richard, newly-appointed chief executive of the Social Security Benefits Agency, and formerly chief executive of Warwickshire county council. Mr Richard said: "We think it very important to issue a staff charter alongside the Citizens Charter, because unless our staff believe their organisation truly values them, they will not deliver their best."

He said the charter would be accompanied by an "action list" of measures taken by the agency to meet and improve upon the charter. The list would be updated every six months.

"The danger is that the charter will be seen as perks for the boys.

That is certainly not the intention," he added.

Trade union reaction to the proposal was non-committal. "It looks like a bit of a gimmick," said Mr Terry Adams, social security secretary of the CPSA, the largest civil service union.

He added: "None of these grand concepts mean anything unless they are backed up by specific agreements, and we already have a comprehensive set of those. My worry is that it might be intended as a means of circumventing the unions altogether."

Mr Jonathan Baume, assistant general secretary of the First Division Association of senior civil servants, said: "We are certainly not opposed in principle. But we will want to see what it says, and have been assured of consultation before it is agreed."

## Food price rises prevent further fall in inflation

By Rachel Johnson, Economics Staff

A RISE in seasonal food prices during an exceptionally wet June yesterday prevented headline UK inflation from falling for the first time since September 1980. Then the annual increase in the retail prices index peaked at 10.3 per cent.

Seasonal foods, such as strawberries and other fresh fruit and vegetables, were made scarcer and more expensive by a month of late frosts, little sunshine and almost continuous downpours.

Prices of such produce normally fall in June, but last month their prices rose by 5.8 per cent, the first June rise since 1987 and the biggest since 1983.

This contributed 0.3 percentage points to the all-items index, which increased by 0.4 per cent on May and by 5.3 per cent since June 1980. Home-killed lamb and eggs were cheaper, but not enough to offset rises in other foods.

The jump in seasonal food prices also pushed up underlying inflation. The Treasury's favourite measure, which excludes mortgage-interest payments, rose to 6.9 per cent from 6.6 per cent in the previous year.

The so-called "underlying measure" which also strips out the poll tax, rose to an annual 8.9 per cent in June from a previous 8.7 per cent, the highest for a decade.

The Central Statistical Office, which released the figures yesterday, said food was the "predominant reason" behind the unexpected 5.8 per cent rise in the June RPI and the other measures. The increase in the index was expected to be about 5.6 per cent, following a drop in mortgage rates on June 1 combined with a general easing of price pressures in the recession, such as aggressive discounting by car manufacturers and early summer sales.

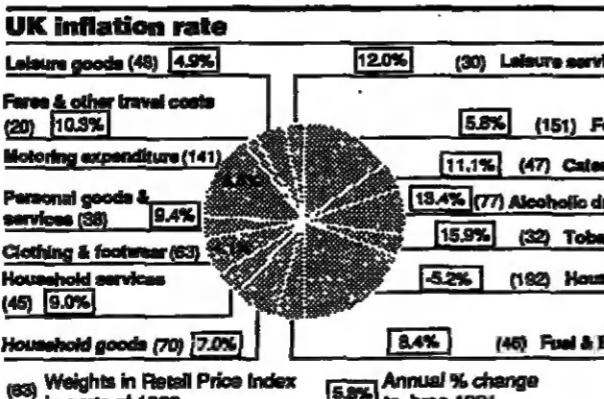
Other factors also caused the inflation rate not to fall as expected. The all-items index excluding food did fall, but only slightly to an annual 5.3 per cent from 6.6 per cent in May.

Alcoholic drink prices have increased sharply since the beginning of the year, and were given an added lift by the impact of Budget increases in value added tax and excise duty. A pint of lager has increased in price from £1.29 in January to £1.38, while draught bitter prices rose by 1 per cent in June. Motoring costs also rose, adding almost 0.1 percentage points to the index, and a further phase of increased electricity charges in June also pushed it up.

The outlook for lower inflation, however, is expected to be unchanged. The Treasury said that inflation would fall to 4 per cent by the end of the year.

Yesterday's cut in bank base rates by 0.4 percentage points is unlikely to affect the July index, but to shave off 0.25 percentage points from the RPI in August.

The general index of retail prices (RPI) for June 1991 was 134.1 (1987=100), after 133.5 in May.



## Kinnock heralds debate on poll reform

By Philip Stephens, Political Editor

MR NEIL KINNOCK yesterday heralded an intense debate in the Labour party on electoral reform as the supporters of change declared that the momentum had become unstoppable.

The Labour leader, responding to the interim report of a Labour working group on voting reform, said he would recommend to the party's national executive committee that the report provided the basis for an "open and informed debate" among members.

The report, produced under the chairmanship of Professor Raymond Plant, looks at alternatives to the existing first-past-the-post system for elections to the House of Commons.

Mr Whitty said that it was uncertain whether the final report would be ready before the general election due by mid-1992.

It draws no firm conclusions, but proposes further study of two voting systems in particular, the alternative vote and the additional member system.

The party's national executive will examine the lengthy document on Monday and Mr Larry Whitty, the general secretary, indicated yesterday that the report provided the basis for an "open and informed debate" among members.

The Labour party in Scotland has already backed a proportionate voting system for the proposed Scottish assembly in Edinburgh.

There is also growing support for the alternative vote system in elections to the European assembly conference in October. The working party will now reconvene to draw up final proposals with first-round elimination, not run-off.

Mr Whitty said that it was uncertain whether the final report would be ready before the general election due by mid-1992.

Some members of the shadow cabinet believe that for elections to the House of Com-

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Their view is that a Labour victory would effectively kill the debate.

Others, however, believe that now the discussion has been brought into the open, the Labour leadership will find it impossible to resist change.

Mr Robin Cook, the shadow spokesman and a strong supporter of reform, responded to the report with a prediction that "it is now no longer a question of whether Labour will commit itself to electoral reform but when, and for what elections".

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## THE GARSTON AMHURST HEARING

Fraud was a reflection of the 1980s, Old Bailey judge told

By Raymond Hughes, Law Courts Correspondent

A 10-YEAR fraud on investors in the Garston Amhurst investment group was a reflection of the 1980s, an Old Bailey judge was told yesterday.

"This case has its roots in non-regulation; it came to an end because of regulation," said Mr Stephen Solley QC in his mitigation plea on behalf of Mr Diccon Wright, the former Garston Amhurst chairman.

Mr Wright and three other Garston Amhurst directors are accused of defrauding over 300 investors of more than £1m between 1980 and 1990.

Mr Wright and Mr James Krekis have pleaded guilty to conspiracy to obtain property from Garston Amhurst investors by deception between August 1 1980 and March 8 1990. Mr Gordon Davies has

admitted conspiracy up to July 1985. Mr Wright, Mr Krekis and Mr Andrew Woodhouse have pleaded guilty to conspiracy to steal from Garston Amhurst between August 1 1980 and March 8 1990. Mr Davies has admitted the offence up to July 1 1985.

Mr Wright and Mr Krekis admit dishonesty obtaining £500,000 from the National Financial Management Corporation by deception.

Mr Solley said the four men never managed to get the business right and the fraud began when they got into financial difficulties. Then they had genuinely felt they could trade themselves out of their dishonesty and repay investors.

He said the primary losses had occurred during the first

five years. After a "company doctor" had recommended large-scale cost cutting Mr Wright and Mr Krekis had made efforts to turn the company round.

In 1989, Mr Krekis had earned £100,000 commission and Mr Wright double that, but they had left the money in the company. Mr Solley said that none of the four had made private wealth from 10 years of dishonesty.

Mr Alan Newman QC, for Mr Krekis, said poor administration had resulted in excessive expenditure, with vast payments on such things as rent and telephones, and the directors had "robbed Peter to pay Paul".

The case continues on Monday.

BRITISH STEEL plans early next year to close its tube-finishing plant at Coombs Wood Works, Halesowen, West Midlands, with the loss of 120 jobs.

Closure of the factory, which makes lamp posts, electric poles, pipes for hydraulic mining machinery and coated pipes for the gas and oil industry, will leave British Steel with three significant plants in the west Midlands.

Coombs Wood's output will be relocated to plants at Corby and Hartlepool which supply it with the basic feedstock for its products.

National Westminster Bank announced with effect from 12 July its base rate is reduced to 11.00%.

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National Westminster

## UK NEWS

# Kurds arrested after Turkish embassy siege

By Mark Nicholson and Tim Burt

THE TURKISH embassy in central London was under siege for two hours yesterday when offices were ransacked and slogans daubed on walls and windows. At least 30 Kurdish demonstrators were arrested afterwards.

Demonstrators, including people from the National Liberation Front of Kurdistan, had gathered outside the building in Belgrave Square and a group stormed through the embassy's security doors as they opened at 10.30am.

The incident, among several Kurdish protests across Europe yesterday, follows anger at the killing of 12 people by police in eastern Turkey on Wednesday.

The London demonstrators carried placards denouncing Turkish "genocide" against Kurds, some bearing the name of Vedat Aydin, a Kurdish leader whom they say was killed earlier this month by police in Diyarbakir.

Kurdish demonstrators outside said later they wanted to storm the building to publicise their case.

The demonstrators are expected to be charged with public order offences and criminal damage.

Yesterday's siege follows the storming of the Iraqi embassy by Kurdish demonstrators during the Gulf war. Then the police found an explosive detonator and shotgun cartridges after 31 arrests.

## University places filled rise 7% to reach record

By Andrew Adonis

THE number of UK university places accepted by applicants last year was a record 110,223, almost a 7 per cent increase on 1990.

Social science courses attracted the highest number of applications, followed by languages, engineering, technology and business studies.

Of the 93,337 places awarded to UK applicants last year, more than 80 per cent were on the basis of A-level qualifications, on an average point score equivalent to grades BBC.

*UCAS Statistical Supplement 1990-91, PO Box 22, Cheltenham, Glos GL50 3SA. £1.*

Mr Branson rejected claims that it was the result of increased numbers of overseas students.

UK applications rose by

almost a quarter between 1989 and 1990.

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## BASE RATE

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All facilities (including regulated consumer credit agreements) with a rate linked to Coutts Base Rate will be varied accordingly.



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## BASE RATE

With effect from close of business on 12 July 1991  
Base Rate has been decreased from 11.5% to 11% per annum.

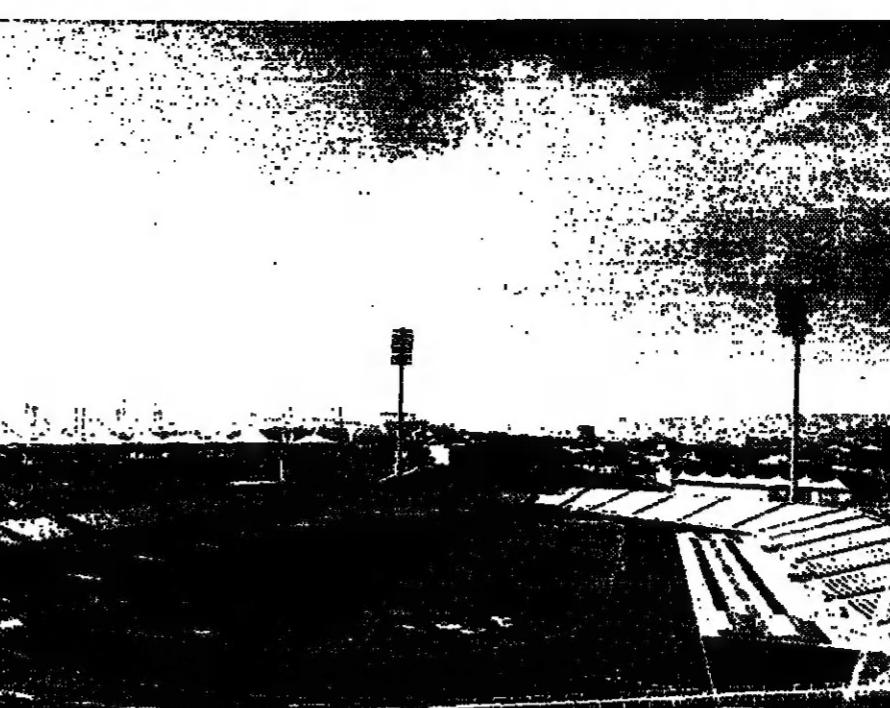
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## ANZ Grindlays Base Rate

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Starting block: the 25,000-capacity Don Valley Stadium, where the opening ceremony takes place tomorrow evening

Indeed, arguments about money have been Sheffield's loudest. If inadvertent publicity in the four years of preparation, especially when Universiade GB, the organising company, collapsed last year "was scraping the bottom of the barrel". It's undervaluing the volunteers. Without the volunteers there is no games."

In fact, there seems to be a

trainer in behavioural sciences who donated £5,000 worth of his time to train some of these volunteers in "inter-cultural customer care" - in other words how to sort out a row between a Romanian and a Rwandan. He said the criticism

"was scraping the bottom of the barrel". It's undervaluing the volunteers. Without the volunteers there is no games."

In fact, there seems to be a

student area," said Dash, the fashion shop.

There is a festival running alongside the games. Spirit of Ninety One. Ms Mandy Walker, the box office manager, peering at her advance bookings decided that "a lot depends on what happens at the door".

The bookings are strong where you would expect them to be, regardless of the games - shows where local kids draw in their mums and dads, fireworks and lasers at Chatsworth House in Derbyshire.

Sheffield is not yet *en fête*. Indeed the games themselves are scarcely a sell-out.

"The opening ceremony is selling well, all the covered seats are gone. There's only open terracing left," said the organisers. That takes place tomorrow evening at the Don Valley Stadium, capacity 25,000. But the covered area is a quarter of the whole. The games, the organisers conceded, "are a loss seller - people don't buy a ticket".

The latest row has been set off by Conservative demands that the uniforms for the 5,000-plus local volunteers helping out at the games should not be as expensive as that of the officials.

One of the blocks will be demolished afterwards, the other two returned to the public housing stock.

One of the volunteers is Mr Anthony Strong, a lecturer and

disparity between the enthusiasm of the volunteers and the lack of excitement in the city this week about the games.

There are banners. Sheffield welcomes the world and bunting, and Marks & Spencer has attached games stickers to the sportswear in its windows. But the shopkeepers seem indifferent. "Our goods are too expensive for the

people who have been buying ahead are the members of the Labour-controlled council

who saw the games as a

chance to put a regenerating

area on the map and as a catalyst for the provision of new leisure facilities.

Whether the council was far-sighted or foolhardy will be apparent in about five years.

The notion that holding a

a students' athletics meeting has

a lasting effect on world opinion

and enhances inward

investment prospects is diffi-

cult to sustain - who remem-

bers that Universiades XIV and

XV were held in Zagreb and

Duisburg?

Nor is it certain that by putting

down new sports facilities and

greening around them in an

area of post-industrial

derreness does more than cre-

ate an oasis. As with much

urban regeneration of the

1980s, they constitute piecemeal rather than comprehen-

sive revival.

Against that, Sheffield

citizens will be left with some

agreeable swimming pools,

some new equipment on which

to exercise - £15 per month

for unlimited usage of the

beam bodies fitness suite at Hill-

borough Leisure Centre - and

an excellent track around

which to run as they contem-

plate their local tax bills.

## Assurance given on leasehold legislation

By Ivor Owen,  
Parliamentary Correspondent

LEGISLATION to benefit at least 1.5m leaseholders of flats would not force the current property owners to accept "confiscatory" prices, Sir George Young, the housing minister, assured the Commons yesterday.

He confirmed that legislation would be introduced as soon as possible for a system of commonhold.

This would give long-leaseholders of flats the collective right to buy the freehold of their homes at market value.

Sir George emphasised that the price paid by leaseholders would not be "market value" but reflect the fact that they held long leases.

The announcement received a general welcome, with opposition MPs contending that its timing had been influenced by the approach of a general election.

Mr William Benyon, Conservative MP for Milton Keynes, highlighted the fact that existing owners of leasehold property would not secure the full value.

He added: "This may buy votes, but it is not equitable."

The minister said it was proposed that commonhold should be available for all types of building, whether residential or commercial.

Conversion of existing premises to the commonhold system would be optional, although it might be necessary to make provision to override the objections of a small minority of leaseholders.

Dealing with residential blocks, Sir George said the right to buy the freehold would apply to properties containing two or more flats held by qualifying long-leaseholders.

It would also be conditional on at least two thirds of the flats being held by qualifying long-leaseholders and where not more than 10 per cent of the internal floor space, excluding common parts, was used for non-residential purposes.

## BASE RATE

Coutts & Co have reduced their Base Rate from 11.5% to 11% per annum with effect from the close of business on Friday 12th July 1991.

All facilities (including regulated consumer credit agreements) with a rate linked to Coutts Base Rate will be varied accordingly.



**Coutts & Co**  
440 Strand, London, WC2R 0QS

## BASE RATE

With effect from close of business on 12 July 1991  
Base Rate has been decreased from 11.5% to 11% per annum.

**The Royal Bank of Scotland**  
The Royal Bank of Scotland plc.  
Registered Office: 36 St. Andrew Square,  
Edinburgh EH2 2YB. Registered in Scotland No. 90312

## TSB BANK

With effect from the close of business on Friday, 12th July 1991 and until further notice, TSB Base Rate is decreased from 11.5% p.a. to 11% p.a.

All facilities (including regulated consumer credit agreements) with a rate of interest linked to TSB Base Rate will be varied accordingly.

TSB Bank plc,  
60 Lombard Street, London EC3V 9EA

## Lloyds Bank Base Rate.

Lloyds Bank Plc has reduced its Base Rate from 11.5 per cent to 11 per cent p.a. with effect from the close of business on Friday 12 July 1991.

**Lloyds Bank**  
THE THOROUGHBRED BANK.

## National Westminster Bank

National Westminster Bank announces that with effect from 12 July 1991 its Base Rate is reduced from 11.50% to 11.00% per annum. All facilities (including regulated consumer credit agreements) with a rate of interest linked to NatWest Base Rate will be varied accordingly.

National Westminster Bank PLC  
41 Lothbury London EC2P 2BP

## ANZ Grindlays Base Rate

ANZ Grindlays Bank plc announces that its base rate has changed from 11.5% p.a. to 11% p.a. with effect from 12th July 1991.

**ANZ Grindlays Bank**  
Private Banking

13 St. James's Square, London SW1Y 4LF  
Telephone: 071-830 4611  
Member ANZ Group

## Hill Samuel Base Rate

With effect from the close of business on Friday 12th July, 1991 and until further notice, Hill Samuel Bank's Base Rate is reduced from 11.5% to 11.0% per annum.

Hill Samuel Bank Limited  
100 Wood Street, London EC2P 2AJ  
A Member of The Securities and Futures Authority.

## Girobank

Girobank announces that with effect from close of business yesterday (12 July 1991) its Base Rate was reduced from 11.5% to 11% per annum.

Girobank plc 10 Milk Street LONDON EC2V 8JH

# FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL  
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Weekend July 13/July 14 1991

## Mr Major's G7 summit

**THE WORLD** economy remains in a fragile condition. What better way then to focus the minds of the leaders of the seven largest industrialised countries than to hold their annual summit in the sickest, most recession-bound, economy of all. Mr Major would have wished otherwise for his first summit as prime-minister. For London's taxi drivers and restaurant owners, the arrival of the G7 jamboree should provide a welcome, if short-lived, boost. For Mr Major, the chief economic question is whether the rest of the G7 will help to pull the UK out of its recession.

He will find that the US has little sympathy with his plight. The UK, with Germany, led the opposition to the US proposal for a concerted cut in interest rates at the Washington summit of G7 finance ministers in May. Since then, while the UK recession has deepened, the US economy appears to have emerged from a relatively short, shallow recession, though the recovery has been weak so far.

The architect of the US success is Mr Alan Greenspan, once a villain to the US administration, but recently confirmed for another four-year term as chairman of the board of governors of the Federal Reserve. The hero-worship will soon disappear if the recovery is short-lived. This it could prove to be, since many of the underlying sources of US economic weakness remain.

To Mr Major, news about the Japanese government's embarrassment over financial villains may seem remote. As a result of the weak equity market, however, many banks find themselves struggling to keep their capital-to-assets ratios above the 8% minimum. A sharp fall in Japanese bank and corporate confidence would damage the prospects for a world economic recovery this year.

### German confidence

At least there is no loss of confidence in Germany. Mr Theo Waigel, the finance minister, expects economic growth to exceed the forecast 2.9 per cent this year.

Yet this is not unalloyed good news for the UK. There is the risk of still higher German interest rates. But they are already at painfully high levels, particularly in real terms; and the annual growth rate of broad money is already in the bottom half of the new target range announced by the Bundesbank this week. This seems to explain why, despite inflationary pressure, the Bundesbank did not raise interest rates at Thursday's council meeting. Its tactic appears to

be to threaten to raise interest rates in order to be congratulated when it keeps them where they were.

The UK, while spurning US calls for interest rate co-operation, has been copying the Greenspan approach to monetary policy in a recession: keep the interest rate cuts small, but keep them coming. Yesterday's cut in UK interest rates was the sixth half percentage point cut since February. Base rates have now fallen by 4 percentage points since October.

Yet it was the news that German rates did not rise, rather than any good news on inflation, which allowed the UK to cut interest rates again yesterday.

On inflation, the news was discouraging. The annual rate of retail price inflation did not fall last month, as expected, but remained unchanged at 5.8 per cent. But the government's favoured measure of underlying inflation - the RPI, excluding mortgage interest payments - rose by 0.3 percentage points, to 6.9 per cent.

### Underlying trend

Nevertheless, the underlying trend in price inflation is down, with wage inflation following sluggishly behind. Producer price inflation, which has remained stubbornly resistant to the government's anti-inflationary policy, fell by 5.7 per cent in the year to June.

Sadly, output and unemployment have proved more responsive to the government's high interest rate policy. The economy may now have entered its fifth quarter of recession; but there is little sign of recovery, despite the continued optimism of the government's economic adviser.

Bankruptcies and redundancies continue to rise - yesterday's announcement of 500 job losses at the Findus food factory in Grimsby is typical - and there are more to come. Consumers have not yet responded to falling nominal interest rates. Retail sales in the six months to May were 0.2 per cent lower than in the previous six.

The lags in monetary policy are long. All the government can do is to keep cutting interest rates as the European exchange rate mechanism allows. Encouragingly, sterling rose yesterday against the D-Mark following the cut. A further two or three half-point cuts in interest rates should be possible by the end of the year.

Even then, the British economy is unlikely to deliver a strong recovery in the next 11 months. Mr Major should try to enjoy his first summit. Unless, the UK follows the US out of recession soon, it could be his last.

## MAN IN THE NEWS

### Sheikh Zayed bin Sultan al-Nahyan

## Desert fighter drawing on reserves of tolerance

By Victor Mallet

holiday in Switzerland on a private jumbo jet the day after BCCI was shut down, leaving his financial advisers to sort out the mess for which he may have felt they were responsible (if they had dared to tell him of the scandal at all). The ruler may also have thought he needed a holiday, having retaken the reins of government from his son Sheikh Khalifa, the Crown Prince, during the difficult days after the Iraqi invasion of Kuwait.

Still vigorous at the age of 75, Sheikh Zayed continues to enjoy his holidays, whether in Europe, Morocco or Pakistan - where he has more than once been received by senior BCCI officials on falconry expeditions in the Baluchistan desert. Few, however, would belittle his achievements in Abu Dhabi and the UAE. In the convivance of the British government, he gently shored aside his elder brother Sheikh Shakhbut (who refused to spend any oil revenues) on August 6



1966, and immediately began to order the building of schools, roads and sewers. At the first and so far only UAE president since the country was created in 1971, Sheikh Zayed has held the loose federation together by leaving Dubai to its own free-wheeling commercial devices and by using Abu Dhabi's oil money to support the poorer emirates. In a typical gesture on a recent visit to Fujairah, he called for the building of 400 houses at his expense, and his son Sheikh Khalifa ordered a further 150. Such patronage might not cut much ice elsewhere, but in the Gulf it is still the accepted system of government.

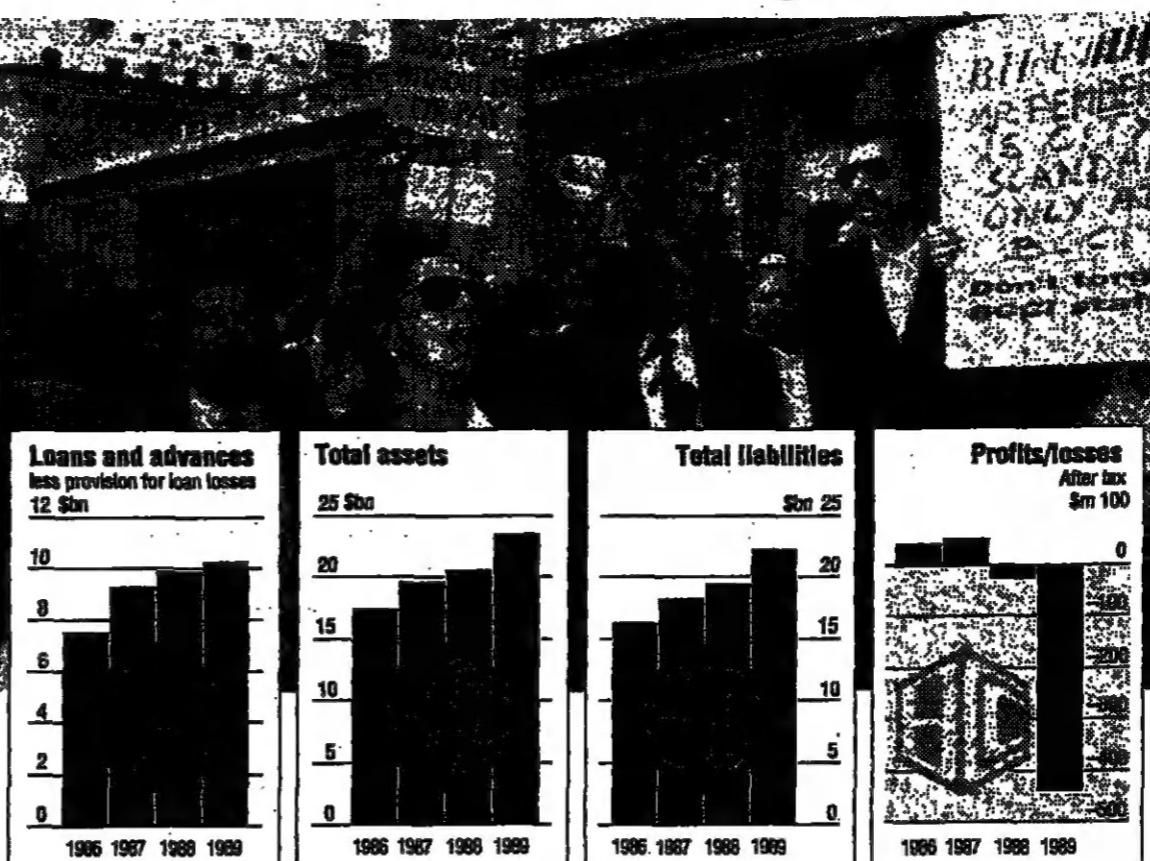
Mr Abdi portrayed BCCI as a Third World bank, and although the UAE is part of the pro-western Gulf Co-operation Council which groups the conservative Gulf states, Sheikh Zayed has always had a soft spot for the Third World, Arab nationalism, the Palestinian cause and something he

used to call "Islamic socialism". Angered by the Egyptian-Israel peace treaty in 1979, he said unpatriotically: "The people of the Gulf are not in need of anyone to defend them, or of help from any quarter, because there is no problem except under US influence in this area." Sheikh Zayed has not been saying such things recently.

Before taking over as ruler, Sheikh Zayed spent most of his youth in the al-Ain oasis, in the desert west of Abu Dhabi town, and he was appointed as governor of the area by Sheikh Shakhbut in 1946. He was tutored but received no formal education. The author and traveller Wilfred Thesiger, who romanticised the Bedouin and went on a falconry trip with Sheikh Zayed, described him as "a powerfully built man of about 30 years with a brown beard. He had a strong intelligent face with steady, observant eyes and his manner was quiet but masterful."

**Tough questions stemming from the closure of BCCI confront banking regulators, write Richard Donkin and David Lascelles**

## The scandal that remains a mystery



place", said one official. Several types of fraud are being investigated.

The most serious was a concerted attempt by some of the bank's senior management to disguise losses which the bank had suffered from bad loans and speculation in the money markets. Deposits were allegedly taken in which were not entered on its books. Instead, the money was used directly to plug the bank's losses. But because this meant the deposit became a loss, too, further deposits had to be obtained to pay off the original deposit. This created a never-ending spiral of lost deposits.

Bad loans were also said to have been paid off when in reality they were transferred to a different part of the bank. BCCI would allegedly use its 68-country network to shuffle assets into subsidiaries which were only lightly supervised, and transfer capital into countries that were closely supervised.

In another type of fraud, the investigators found evidence that some bank officers may have siphoned money out of the bank and into their own pockets. Other kinds of fraud have also been uncovered, according to an official.

The extent of the fraud, and even the shutdown, might have been averted if the supervisors had acted sooner. Several former executives of BCCI have asserted that reports detailing evidence of fraud were passed to the authorities last year, but not acted upon. However, Bank of England officials are adamant that they did not receive convincing indications of fraud until the beginning of

this year when BCCI's new management alerted them to its existence.

Even so, a further question is why officials did not clamp down on BCCI after it was convicted in the US courts last year of laundering drug money - a case which occurred just after the Baile Committee, the top international banking watchdog, had issued new rules to combat money laundering.

Officials reply that the bank was being restructured, and the ruler of Abu Dhabi and his government were preparing to inject \$1bn of new money to help improve the balance sheet.

**Bank of England investigators now allege that BCCI was riddled with fraud which 'went right through the place', said one official**

Observers have suggested that the "college" was only able to move at the pace of its slowest member, and some of the countries where BCCI is located vetoed a crackdown because they wanted to avoid a scandal.

What is still far from clear is what the total bill stemming from the closure will be. The liquidators trying to wind the group up decline to put a figure on it until the picture becomes clearer. Mr Robin Leigh-Pemberton, the Bank of England governor, indicated that the losses for the European arm could be "several hundred million dollars".

When the Luxembourg subsidiary, which includes branches in the UK, was ordered to be wound up on Tuesday, it had resources of \$365m and losses of \$827m, implying a deficit of \$155m. This subsidiary accounts for just over a third of the total BCCI group. One outstanding matter is whether the unrecorded deposits will be rated as part of BCCI's legal liabilities. If they are not it would be bad news for the depositors, but would mean that more was left in the company.

On a wider level, officials are looking carefully at the possible impact of BCCI's closure on general banking confidence. An expected "flight into quality" as a result of the BCCI affair is already apparent in the investment plans of many British local authorities caught out in the collapse. More than 50 UK local authorities could lose as much as £100m of public money, according to the Association of District Councils. A number of councils said that in future they would use any short-term surplus in funds to make short-term deposits only with the main UK clearing banks and the top building societies.

While European banks, in particular, are examining the financial repercussions of the action to close BCCI, the US is concentrating on the political considerations that are also involved. BCCI, under its founder, Mr Agha Hasan Abadi, had always been a bank that played politics.

For many years he courted Third World leaders, using certain charita-

ble bodies and some media outlets. One of his techniques was to send BCCI bankers to solicit business after favourable newspaper or magazine features that had been arranged through his contacts had appeared. His efforts in the Third World brought many important accounts to the bank.

The son of a chef from one of Lucknow's most influential families, Mr Abadi graduated in law and English literature from Lucknow University before joining the Habib Bank in Bombay. The bank moved to the new state of Pakistan in 1947 where Mr Abadi, who took Pakistani nationality, was influenced by the desire of Mohammed Ali Jinnah, the founder of modern Pakistan, to develop a base for Muslim capital.

Mr Abadi befriended some of the 22 families who ruled over Pakistan's economy, including the Salig family who drew on his expertise to establish United Bank. He also became friendly with some of the wealthiest Arabs in the Middle East, and it was they whom he approached when Mr Zulfikar Ali Bhutto came to power in 1971 and threatened to nationalise the banks.

BCCI, he decided, would be the bank that bridged the poverty gap between the rich northern hemisphere and the poor south. He had been promised Arab investment cash by sheikhs won over by his strong religious and mystical convictions and his promise to maintain Muslim values in the bank.

To win western confidence, however, Mr Abadi needed the support of a well-known banking institution. This he obtained in 1972 when Bank of America agreed to take a large stake in BCCI at a meeting in San Francisco. He later referred to the meeting as "an historic lunch". Bank of America's early connections with BCCI were much more critical than that of stakeholders. It lent some prestigious names to the board who were to continue until last year's losses were announced. It also gave advice on the bank's corporate structure.

In late 1978 when Opec reduced oil output, leading to escalating oil prices, BCCI was in a position to expand on a breathtaking scale. Its Green Park branch in London was opened for the almost entire benefit and deposits of a single Gulf client.

The exodus of Asians from Uganda at about the same time provided the London headquarters of BCCI with a fertile recruiting ground. A letter from Mr Abadi to staff in 1965, urging them to give to charity, said: "I pray to our most merciful and benevolent God to give you the true meaning of giving, so you make BCCI a loving village and each one of its parts a caring neighbourhood; so that you make BCCI a ship of unmatched beauty and undeviating love, success and giving that will sail towards the farthest shores of humanity."

Mr Abadi preached a family ethos to his staff. "His whole philosophy was based on human and mystical qualities. He never spoke figures," said a former employee.

But if investigators follow the trail of unreliable figures left in the wake of last week's sweep, they may eventually uncover the exact size and nature of operations at BCCI. Until last week there was a general public perception that banks regulated by the Bank of England could not fail, even though this view had been denied somewhat in recent years by the collapse of Johnson Matthey Bankers in 1984 and the placing of British & Commonwealth Merchant Bank in the hands of the receivers last year.

Neither of those banks underpinned Britain's banking system. The same could be argued about BCCI. But while it appears to have had little exposure to other banks, the knock-on effects of its collapse are still being felt in several Third World central banks and by a number of UK local authorities and depositors worldwide. The BCCI affair is far from over.

## MAN IN THE NEWS

### Sheikh Zayed bin Sultan al-Nahyan

## Desert fighter drawing on reserves of tolerance

By Victor Mallet

holiday in Switzerland on a private jumbo jet the day after BCCI was shut down, leaving his financial advisers to sort out the mess for which he may have felt they were responsible (if they had dared to tell him of the scandal at all). The ruler may also have thought he needed a holiday, having retaken the reins of government from his son Sheikh Khalifa, the Crown Prince, during the difficult days after the Iraqi invasion of Kuwait.

Still vigorous at the age of 75, Sheikh Zayed continues to enjoy his holidays, whether in Europe, Morocco or Pakistan - where he has more than once been received by senior BCCI officials on falconry expeditions in the Baluchistan desert. Few, however, would belittle his achievements in Abu Dhabi and the UAE. In the convivance of the British government, he gently shored aside his elder brother Sheikh Shakhbut (who refused to spend any oil revenues) on August 6

1966, and immediately began to order the building of schools, roads and sewers. At the first and so far only UAE president since the country was created in 1971, Sheikh Zayed has held the loose federation together by leaving Dubai to its own free-wheeling commercial devices and by using Abu Dhabi's oil money to support the poorer emirates. In a typical gesture on a recent visit to Fujairah, he called for the building of 400 houses at his expense, and his son Sheikh Khalifa ordered a further 150. Such patronage might not cut much ice elsewhere, but in the Gulf it is still the accepted system of government.

Before taking over as ruler, Sheikh Zayed spent most of his youth in the al-Ain oasis, in the desert west of Abu Dhabi town, and he was appointed as governor of the area by Sheikh Shakhbut in 1946. He was tutored but received no formal education. The author and traveller Wilfred Thesiger, who romanticised the Bedouin and went on a falconry trip with Sheikh Zayed, described him as "a powerfully built man of about 30 years with a brown beard. He had a strong intelligent face with steady, observant eyes and his manner was quiet but masterful."

He wore a dagger and a carbine belt; his rifle lay on the sand beside him. He had a great reputation among the Bedouin. They liked him for his easy informal ways and his friendliness and they respected his force of character, his shrewdness and his physical strength. They said admiringly, "Zayed is a Bedouin. He knows about camels, can ride like one of us, can shoot, and knows how to fight."

When Thesiger returned to Abu Dhabi in the 1970s he was appalled by its brash modernity. It was, he said, "an Arabian nightmare, the final disillusionment". Sheikh Zayed, however, far from forgetting his desert origins, had led the way in reviving and preserving the traditions of the Gulf, from camel-racing to falconry and pearl-fishing. Thesiger has been modified and recently returned to the UAE to meet old friends and mount an exhibition of his photographs.

Perhaps the most extraordinary achievement of Sheikh Zayed's reign is the greening of Abu Dhabi. Like many desert Arabs, he is obsessed with the greenery he hardly saw as a child and determined to upgrade Israel's attempts to make its desert fertile. In the capital alone 4,000 gardeners are employed to manage the irrigated trees, lawns and flower beds which are as attractive to local picnickers as they are to birds from Oman and India. One can question the expense - given that Abu Dhabi depends on limited underground water resources and desalinated seawater - but one can hardly fail to be impressed.

Sheikh Zayed has shaped a country which is regarded by western and eastern migrant workers as the most tolerant and pleasant in the Gulf, and he will not lightly turn against his former allies if his pride is injured by the BCCI affair.

"The main qualities of Sheikh Zayed," said the late Sheikh Rashid al-Maktoum of Dubai, "are that he is optimistic, has a great tolerance and possesses an art of planning." He will probably need all three in the weeks ahead.

**STET**  
Società Italiana Telecomunicazioni p.c.

Registered Office in Turin - Head Office in Rome  
Share Capital Lit. 4,000,000,000 fully paid

## PAYMENT OF DIVIDEND ON STET SHARES FOR THE FINANCIAL YEAR 1990

As resolved by the Shareholders' General Meeting held on the 21st of June 1991 the dividend for the financial year 1990 will be paid from the 17th of July 1991 in the gross unit amount of Lit. 120 for savings shares and of Lit. 100 for ordinary shares (against detachment of coupon n. 2).

The dividend will be payable:

**In Italy:**

- with the Company's Treasury Department at 28 Via Berlenga, Turin, or 41 Corso d'Italia, Rome;
- with any other duly authorized banks, as well as through Monte Titoli S.p.A., for shares managed by it;

**T**hreadneedle Street yesterday was a scene of contrasting emotions. Outside the Bank of England, victim of the BCCI closure demonstrated noisy against the supposed failure of a chef from one of the most influential families in law and banking from London. The bank moved to Pakistan in 1987 where it took Pakistani influence by Ali Jinnah, to develop its capital. It had been ruled over by a family including the Sultan of Brunei. He also became ruler of the East, and it was approached when the Shuri came to power. It threatened to nationalise the bank. Western confidence, however, had been shaken by a series of scandals, including the 1972 West Bank BCCI at a meeting in Geneva. It later referred to as "an historic lunch" in which many more critics of the bank were present than the board who remained until last year. The company also gave the UK's corporate status to a breakfasting club branch in London. The almost entire board of a single Gulf syndicate of Asians from the same time provided the headquarters of BCCI with a building. A large staff had to be kept in the office to charity, said the merciful and benevolent you make BCCI a home for each one of its neighbourhood; so you make it up of unmet needs. Love, success and you will towards the end humanity." His whole philosophy is human and ends. We never spoke again to employees. This system works well with responsible freeholders, who may see long leases as an investment yielding a long-term income. But the system was brought into disarray by the collapse of BCCI, and the subsequent sale of its assets to the US government. Third World governments and depositors would rather have seen the exact same operations at BCCI. There was a general feeling that banks regarded England could not afford that was not growth in recent years. The speech of Johnson Matthey and the Commonwealth Fund in the hands of the new chairman of three banks underwriting the banking system. It is argued about BCCI appears to have had its own problems. Its collapse is still the result of a number of factors and depositors would rather have seen the exact same operations at BCCI.

Inside, behind Sir John Soane's windowless curtain wall, the Bank's carefully cultivated air of restrained normality allowed no recognition of the tumult outside. It barely hinted that commercial bank base rates had been reduced by half a point to 11 per cent, the sixth such cut this year.

Although yesterday's cut followed weeks of gloomy headlines about Britain's economic recession, it had a curiously undramatic quality. It was fully discounted on financial markets, barely moving the value of sterling or British equity prices and leaving interest rates on the domestic money and futures markets virtually unchanged. One and a half hours after the Bank had allowed the cut by lowering its money-market dealing rates, it turned out that the annual rate of retail price inflation, which had been expected to fall and so trigger the rate cut, was unchanged last month at 5.8 per cent.

The UK authorities could

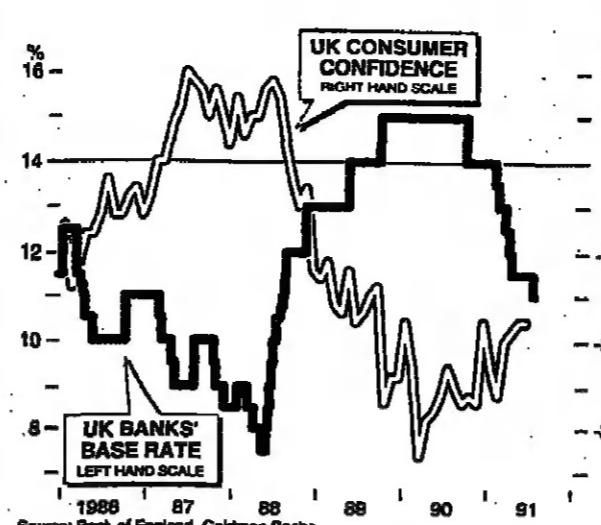
Peter Norman says yesterday's half-point cut in base rates reflects several factors apart from inflation

## Little room left for manoeuvre

reflect with some satisfaction that the coincidence of yesterday's rate cut and the unchanged headline inflation rate might help dissuade financial market operators from expecting future rate reductions to be linked to specific economic indicators. For some time, the Bank has been trying to get across the message that changes in UK monetary policy nowadays reflect a number of factors, of which headline inflation is but one.

Yesterday's interest rate cut came after seven weeks in which base rates had been left at 11.5 per cent. This comparatively long period had given the Treasury and the Bank time to establish that underlying inflation, as measured by manufacturers' producer prices and wage settlements, was safely on the way down.

What has been less clear is whether economic activity has responded to the progressive easing of monetary policy that began with the one percentage



Lamont, the Chancellor. Some 10 weeks ago, he forecast that recovery was "round the corner". Since then, the date of the forecast upturn has slipped back to an unspecified point in

the second half of this year. However, the fact that base rates were cut by only half a percentage point yesterday shows that the UK authorities are refusing to panic.

Whereas Mr John Smith, the shadow chancellor, and the Confederation of British Industry have at various times urged bolder one percentage point cuts on the government, their view of the economy than they were in the winter.

According to Mr Gavyn Davies, chief UK economist in London at Goldman Sachs, the US-owned investment bank, the current uncertainty about economic activity is not too surprising. "All our work shows that there is a 12-to-18-month lag between changes in interest rates and their effect on the economy," he says.

Such an approach might appear insolent at a time when unemployment continues to rise sharply and businesses continue to fall at an alarming rate. But there are some straws in the wind to suggest that recovery will come, although spotting it may be difficult.

The Central Statistical Office's longer leading index of cyclical activity in the British economy, which purports to indicate turning points roughly one year in advance, has been rising since the third quarter of last year, indicating that the recovery should start soon.

Survey data has also started to hint at recovery. While it would be premature to speak of a revival of optimism, recent

increased spending power from lower interest rates to reduce debt have since depressed spending in the high street and on big-ticket items such as cars. This subdued activity was one factor behind the Treasury's decision to cut rates yesterday.

Industrial and consumer groups were united in hoping that yesterday's base rate reduction will be followed by further easing of monetary policy. However, all the signs were that the authorities would continue to move cautiously.

Mr John Maples, the economic secretary to the Treasury, said yesterday that the room for further cuts in rates was now "very considerably more limited than it was earlier". Other officials suggested the timescale for rate reductions would also lengthen.

At 11 per cent, British bank base rates are only some two percentage points above comparable German interest rates. Although the Treasury insisted yesterday that the UK was on track for a 4 per cent annual inflation rate by the end of the year, the reduction in differentials between British rates and those of the UK's EMS partners gives little room for further action to stimulate economic activity.

There are some signs, however, that the Treasury has been concerned at the behaviour of the British consumer. It was a sharp drop in consumer spending in the final months of last year that plunged the UK into deep recession.

The past 12 month's 6.83,000 increase in unemployment, bad weather this spring and an inclination on the part of many households to use their

resident. At least two-thirds of the flats must be held by long leaseholders (leases which had more than 21 years to run at inception) – so blocks with lots of short-lease tenancies may not qualify.

The definition of a block may provide work for lawyers for years to come. Valuing the freehold in such blocks is also contentious, particularly in areas where most of the property is leasehold flats. The requirement to pay a market price for the freehold may in any case be an effective deterrent in many of the more expensive parts of London. And the Lord Chancellor's statement contains no proposals for those whose leases are near their end who cannot afford to join the buy-out. Indeed, they may find that the value of their flats drops as they become less attractive than similar flats on commonhold.

While welcoming the proposals, the Royal Institution of Chartered Surveyors has commented that the proposed extension of flat-owners' right to buy the freehold of their block is unlikely to reduce service charges. In the meantime, the Lord Chancellor's statement is the welcome addition to their sales teams. Lord Mackay's statement is used to boost the freehold to buy with shops at ground level.

Crown and charitable housing associations are to be exempt. So too will be converted flats in a house where the landlord lives as a resident.

Additional reporting by John Bren-

nan



ants or leaseholders who do not want to buy out the landlord). If they then wish to convert to commonhold, a unanimous vote is needed.

It is in the small print, however, which suggests that this may not be quite as revolutionary as it seems. The right will apply only to properties where not more than 10 per cent of the floor-space excluding common parts is used for non-residential purposes. This would rule out many blocks with shops at ground level.

Crown and charitable housing associations are to be exempt. So too will be converted flats in a house where the landlord lives as a

**C**elebrations by Britain's 13m flat-dwellers over the day for leaseholders may be short-lived. Although the Lord Chancellor's proposals will make it possible for leaseholders to buy the freeholds of their flats, many flat-dwellers may not be able to benefit. And there is a danger that while some flat-owners could find their homes are suddenly worth much more, the value of others may be much less.

The peculiarly British problem of leasehold encroachment in blocks of flats stems from the need to find some way in which people who own flats can live together in the same building. Someone must be responsible for the community uses parts of the building, such as the lifts, entrances, gardens and outside areas (roof and walls). If services such as gardening, heating or refuse removal are provided, it needs a responsible person to manage it. Under English law, there is no way of doing this if the flat is owned freehold: a freeholder owner who undertakes positive duty such as repair or payment of a service charge cannot bind the next owner and his successors.

In the rest of Europe, living in apartments is much more common, and forms of collective ownership have been devised which deal with this problem. In the US, there is the condominium system; in Australia the strata title. Generally these provide for common ownership of the freehold of the building and the

common parts, and for the provision of common services. The rules for these collectives are usually specified by law, requiring annual meetings of the owners to elect a management committee and approve the budget and rules. The procedures are also specified with, for example, a requirement to appoint a salaried administrator to manage the building, draw up the annual budget and manage the collective organisation functions.

The English are, even in large cities, most owner-occupied homes are houses. When mansion blocks first went up in British cities, the problem of common parts was resolved by adapting the leasehold system which was used to retain ownership of land when houses were built upon it. The developer retains the freehold of the block and sells leases to the flat-owners, for the traditional "three lives" span of 99 years. In return for the ground rent and service charges, common services are provided.

This system works well with responsible freeholders, who may see long leases as an investment yielding a long-term income. But the system was brought into disarray by the collapse of BCCI, and the subsequent sale of its assets to the US government. Third World governments and depositors would rather have seen the exact same operations at BCCI.

## Cautious about commonhold

John Willman on the loopholes in freehold provisions for flat-dwellers

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## LETTERS

### Investors should not fear holding shares through nominees

From Mr J M Cobb.

Sir, Richard Waters' article on July 6 about the use of nominees accounts in readiness for Taurus contains a number of points which might well frighten investors. There is no basis for such fear.

He indicated that shareholders in nominees no longer receive the company's annual report and cannot vote at its AGM. Many brokers provide the reports if requested; voting by proxy, using the nominees designation, is also available. The nominee is purely the named owner – the beneficial ownership does not alter.

For shares where perks are attached, most nominees companies advise shareholders not to use their nominees, in order to protect the perk.

The most worrying point is, however, the implication that the Investors Compensation Scheme (ICS) provides no protection to investments held in nominees. The scheme is designed to settle outstanding transactions in course of settle-

ment if an organisation covered by the ICS were to fail.

Whether the investors' stock is in the same name of a nominee or their own, is irrelevant – both stand equal.

Shareholders are, however, perfectly entitled to enquire whether the nominee company which they choose possesses the necessary insurance policy to protect them in the event of some misdeemeanour by staff of the company. Virtually all stockbrokers to my knowledge have "In and Out" policies for this purpose and it is likely that Taurus participants will all be required to have such insurance in place.

Finally, the Taurus project manager, John Watson, suggests that investors will come out of nominees once Taurus is under way. His logic defies me. Clients today are using nominees more and more both to reduce administration and to ensure the timely settlement of transactions. The costs to clients dealing in the stock market using their own names

are likely to be higher in the future, as Taurus and, later, rolling settlement come into play, than for those who make use of stockbrokers' nominees. I suggest, therefore, that those contemplating the use of nominees should by all means check on the points raised in this letter but I believe that they will conclude that the advantages are compelling.

J M Cobb,  
chairman,  
Association of Private Client  
Investment Managers &  
Stockbrokers,  
London EC2

alists – which a new quango might well do – could lead to extra resources being allocated to the production of environmental "goods" at a time when they can be spared from other forms of production.

Thus, the source of the resources for maintaining spontaneous environmental improvements is damaged.

### A paper-thin comparison

From Mr Duncan McGregor.

Sir, We buy two indispensable and first-class commodities from our corner shop. In cost terms they compare very favourably:

FT Andrex  
0.28 pence per gram  
11.4 pence per sq metre

How is it that you can finance, at no extra cost to your customer, the creation, assembly, production, distribution and delivery of news, information and opinion of the highest calibre and still make a profit? Or to put the question another way, what happens to the money charged for a roll of Andrex?

Duncan McGregor,  
7 Cumberland Grove,  
Bristol.

were driven off by the abuse of a monopoly position. I would like to make some suggestions:

1. Market makers should be expert in the stocks they deal in. Own what you know – know what you own.

2. Being brokers means an ongoing commitment, particularly to small companies.

3. Investors in small companies should consider that, if they offered to pay attractive commission rates for research and dealing in small companies, more quality brokers would be attracted to this sector.

The institutional commission rates are the same for dealing in a £1bn FTSE stock as they are for finding a buyer for 250,000 shares in a small market capitalisation stock.

You might ask why the Stock Exchange Council has not asked its membership about "one man markets".

The answer, Brutus, lies not in our stars but on page 9 of the 1990 report of the London Stock Exchange. It says: "The Exchange can in truth offer little to the individual member". A triumph of mind over matter – we don't mind and you don't matter.

Duncan Duckett,  
deputy chairman,  
Marshall & Co (Brokers),  
13 Southampton Place, WC1

Lifted by a vocal glory

From Mr Brian Court-Mappin.

Sir, Max Lippert ("Orfeo ed Euridice", July 8) is an old sour-puss. People who love great music and its performance could not care a fig if the artists were hanging from the pink shaded sconces of the Royal Opera House to hear "Orfeo". Kowalski is a vocal glory, and there is one thing that has happened this year to lift me personally into a realm of light and joy, it is this superb and utterly original male alto.

Brian Court-Mappin,  
3 Hamilton Square,  
Kingsgate,  
Nottingham NG1 1EY

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deputy chairman,  
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13 Southampton Place, WC1

Saving should not be penalised

From Mr Derek Gibson.

Sir, Even though I have voted for the Labour party many times in the past, I share Hugh Rippon's dismay (Letters, July 6) at its proposal to re-impose an investment income surcharge.

If the money being invested

has been saved from earned

income as is frequently the

case, then income tax and NICs

have already been paid. One

could argue a strong case for

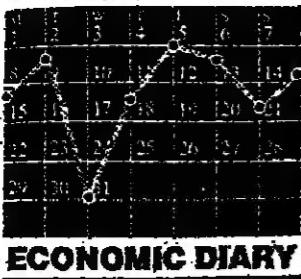
the income being tax free, and

certainly there is no logical

reason for a surcharge. There

have been many years (and



**ECONOMIC DIARY**

**TODAY:** Church of England General Synod meets in York (until July 16).

**TOMORROW:** National Savings results (June). Mr. George Bush, US president, in talks with Mr. François Mitterrand, French president, in Paris.

**MONDAY:** Food facts (first quarter); US business inventories (May). European Community agriculture council has two-day meeting in Brussels. The annual Group of Seven economic summit opens in London (until July 17). Bank of England to meet Abu Dhabi Government on BCCI. GPA annual meeting.

**TUESDAY:** Public sector borrowing requirement (June); US industrial production and capacity use (June). Central American summit opens in San Salvador (until July 17). British Airways annual meeting.

**WEDNESDAY:** US consumer price index (June); housing starts and real earnings during June. Mr. George Bush will have a special meeting with Mr. Mikhail Gorbachev, Soviet president, in London before the Soviet leader meets the Group of Seven heads of government after their annual summit. Council of Local Education Authorities annual conference in Exeter.

**THURSDAY:** Index of output of the production industries (May). Major British banking groups' monthly statement (June). Provisional estimates of monetary aggregates (June). Provisional figures of vehicle production (June). Labour market statistics; unemployment and unfilled vacancies (June-provisional); average earnings indices (May-provisional); employment, hours, productivity and unit wage costs; industrial disputes. Institutional investment (first quarter), US merchandise trade (May). Mr. George Bush plays three-day trip to Greece. Mr. Toshiaki Taifu, the Japanese prime minister, visits the Hague to discuss European Community accord. BT annual meeting. Meeting in London of local authorities affected by the closure of the Bank of Credit and Commerce International.

**FRIDAY:** Annual meeting of the Association of South East Asian nations foreign ministers in Kuala Lumpur.

Profit losses surge £788.00 million

£1.5m have continued at the USM-owned gas and oil exploration facilities since the start of the year, and for the last month of the same period, the company has made a profit of £1.5m.

Over the past year, the company's net profit per share was £1.5m, up from £1.5m in the same period last year.

Mr. Peter S. H. Hwang, chairman of the board, said: "The warehouse is now ready."

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## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## Dollar hit by intervention

**C O - O R D I N A T E D INTERVENTION** by central banks pushed the dollar down sharply yesterday. The US Federal Reserve and German Bundesbank led an attack on the dollar, and were joined by others, including the Bank of England, Swiss National Bank and the Bank of France. The move was made ahead of Monday's meeting in London of leaders from the world's leading Group of Seven industrial nations.

After a strong start at DM1.8500 the US currency was hit by a round of selling from European central banks, led by the Bundesbank. Later in the day further intervention involved the Federal Reserve and taken as a strong indication of the central banks' view about the strength of the dollar.

It was suspected that Fed only decided to join in the intervention after the Bundesbank had agreed not to raise official interest rates at Thurs-

day's meeting of the German central bank's council.

Weaker than expected US economic data also encouraged the dollar to decline. Retail sales fell by 0.2 per cent in June, reflecting a general fall in demand for most items, new cars. Economists expected a weaker figure than May's 0.3 per cent increase, but still believed a rise of around 0.5 per cent was likely. US producer prices fell 0.3 per cent, against forecasts of a flat figure.

At the London close the dollar had fallen to DM1.7890 from Y138.55; to SF1.5490 from FF16.2125. Its index slipped to 67.6 from 68.5.

With the spotlight fixed on the dollar sterling attracted little attention, but was notably firm despite yesterday's cut in UK bank base rates.

The UK Treasury still expects inflation of 4 per cent by the end of the year, but Mr

John Maples, junior Treasury minister, said that room for further cuts in interest rates is now limited. He added that British rates are moving rapidly into line with others in the European Community. The Bank of England's operations on the London money market also indicated there should be a pause before any further rate cuts.

Yesterday's reduction came before rather disappointing figures, showing higher underlying inflation, on a year-on-year basis, and an unchanged headline rate of 5.8 per cent.

Sterling rose against the weak dollar, and was strong within the Eurodollar exchange rate mechanism, rising to the middle of the D-Mark.

The pound was unchanged at DM2.8500, while improving to FF10.0175 from

FF10.0175 and was unchanged at Y225.75 and was unchanged at SF1.5450. Sterling's index rose 0.4 to 90.4.

Spain fends off Ferruzzi group bid

Tom Burns Madrid

PAIN'S agriculture ministry, as beaten of a bid by an erratic group to become the second largest domestic oil producer.

Koipe, a company controlled by the industrial arm, has agreed to make plans to merge its share offering for 27 per cent with the Spanish state.

A shareholder pact will give the state 24 per cent of the equity.

Last month Koipe paid 2.5 per cent of its earnings from Parishes and pension to acquire a stake from the French state, which had more than a 20 per cent holding.

The agriculture ministry stepped in on the grounds the Spanish oil sector was strategic and that the Spanish should retain Spanish hands.

The absorption of Elsas would have given the Spanish group control over 40 per cent of the oil seed market.

Koipe's 5 per cent stake in Elsas will be acquired by Banco Bilbao Vizcaya, the big Spanish bank, and Koipe will be taken over by Elsas's main board.

**CORRECTION**

Yosan Electric

was wrongly reported that Yosan had been denied a loan of the Tokyo exchange. The company listed was Yosan Co.

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## LONDON STOCK EXCHANGE: Dealings

Details of business done shown have been taken with consent from last Thursday's Exchange Official List and should not be reproduced without permission.

Information Services - not included in the FT Share

unless otherwise indicated, are in pence. The prices are those at which the business was done in the 24 hours up to 2 pm on Thursday and are through the Stock Exchange Tallyman. They are not in ascending order but in descending order of the day's highest and lowest dealings.

For those in which no dealing is given in Thursdays' list, the latest business in the previous days is given with the relevant Rule.

Exchange of the United Kingdom and the Republic of Ireland Ltd. £ Bargains at special £ Bargains on the day.

### British Funds

No. of bargains included 5111

£100,000 10% Gld Std 2000 - 2000

Guaranteed Export Finance Corp PLC 12 1/2% Gld Ln Stk 2000(Freq) - 2112%

1/2

Corporation and County Stocks

No. of bargains included 13

General London Group 6 1/2% Gld Std 2002 - 2001

Birmingham Corp 8 1/2% Gld Std 2000(after) - 2222

1/2

Birmingham Council 11 3/4% Red Std 2012 - 2101A

2/2

Birmingham City 10 1/2% Red Std 2000 - 2226

1/2

Leeds City 10 1/2% Red Std 2000 - 2126

1/2

Leeds Corp 5% Gld Std 1997(after) - 2114%

1/2

London Corp 5% Gld Std 2007 - 2115%

1/2

Manchester City 11 1/2% Red Std 2007 - 2116%

1/2

Nottingham Corp 5% Red Std 1997 - 2117%

1/2

Newcastle Corp 10% Gld Std 1994 Red Std 2017 - 2118%

1/2

Norwich Corp 5% Red Std - 223 (1/y)

Nottingham Corp 5% Red Std - 227

1/2

UK Public Sector

No. of bargains included 70

Agricultural Mortgage Credit Protection Corp 5% Std 2000 - 2000

1/2

Post Ports Authority 10% Funded Debt - 220

1/2

Metropolitan Water Reclamation Fund 3% Std 2000 - 2000 (1/y)

1/2

Local Government 10% Std 2000 - 2000 (1/y)

1/2

Local Government Finance Corp 10% Std 2000 - 2000 (1/y)

1/2

Foreign Stocks, Bonds, etc. (coupons payable in London)

No. of bargains included 70

Ireland Republic 10% Gld Std 1991 - 1991

Abbey Industrial Nta Freq - 1991

(1/y)

Bank of Ireland 10% Gld Std 1991 - 1991

1/2

BP Developments Ireland 11 1/2% Gld Std 2001 - 2001

1/2

British American Tobacco 10% Gld Std 1991 - 1991

1/2

Baileys Corp 10% Gld Std 1992 - 1992

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British American Tobacco 10% Gld Std 1993 - 1993

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British American Tobacco 10% Gld Std 2043 - 2043

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British American Tobacco 10% Gld Std 2044 - 2044

1/2

British American Tobacco 10% Gld Std 2045 - 2045

1/2

British American Tobacco 10% Gld Std 2046 - 2046

## LONDON STOCK EXCHANGE

## Inflation news depresses share prices

**THE RECOVERY** of confidence in the UK stockmarkets was jolted yesterday when a cut of only half a point in base rates was followed by disappointing news on domestic inflation. After a very brief upturn following the base rate announcement, share prices gave ground steadily as profits were taken ahead of the end of the equity account, which closed yesterday.

The cut of only half a point to 11 per cent in base rates was not encouraging for a stock market which had already discounted such a reduction and where the optimists had been seeking a reduction of a full point. But the more serious blow came when the June retail price index disclosed that annualised inflation had remained unchanged from the previous month at 5.8 per cent.

## US hints boosts GMet

The return of a well-worn story that US foods giant Philip Morris is planning to bid for a London-quoted company boosted Grand Metropolitan (GMet) Allied-Lyons and, to a lesser extent, United Biscuits.

Traders were sceptical of the suggestions; all three stocks have been mentioned in the Philip Morris context before.

Grand Met was given an extra push yesterday by the reiteration of buy recommendation from BZW and a persistent shortage of stock that began after a trader sold a large block of shares early in the day.

The fall in the dollar against sterling and other European currencies also helped international

Account Closing Dates		
First Dealings	Jul 15	Jul 20
Option Declarations	Jul 11	Aug 8
Last Dealings	Jul 12	Aug 8
Account Days	Aug 5	Aug 19

Over-the-counter dealings may take place from 2.30 am on business days earlier.

Equity strategists had been convinced that the June statistics fall in domestic inflation.

The combination of these two factors cast a cloud over the equity market which has been recovering confidence over the past two weeks. The implications of the disappointingly modest reduction in base rates was underlined later when Mr John Maples, the Treasury Minister, said that that annualised inflation had remained unchanged from the previous month at 5.8 per cent.

US hints boosts GMet

now "limited". Government bond prices shaded lower in the implications of the inflation news.

By close, long-dated bonds were showing losses of up to a 1/2 of a point.

The FT-SE index closed 13.1 points down at 2,497.4, after an attempted rally had been halted by a dull opening on Wall Street, where the Dow showed a loss of 10 points.

London went up 10 points in the weekend. The 2,500 figure returned the market to the lower half of the current trading range of 2,450 to 2,550.

Seas volume turned down to 443.1m shares, against 536.6m in the previous session. Traders said that much of the business reflected profit-taking by professional dealers.

Yesterday's fall in equities,

stock, encouraged by recommendations from US and UK analysts who argue that the company's new futures and trading services, Dealing 2000 Globex, should be generating revenues by early next year. A news report that James Capel had recommended buying was denied by the broker. Yesterday's rise was a "selling opportunity", said Capel.

The fall in the dollar against

sterling and other European currencies also helped international

ICL, 16 m.

Glaxo, at 124p. Profit-takers were again busy in both.

More big turnover in GEC

9.4m shares - net the stock

M higher at 193p, with analysts highlighting the stock's long-term defensive attractions in the form of the 7 per cent

gross yield.

Amstrad, net recently by the

warning of a heavy provision for unsold stocks, slipped 4% to 42p on 1.9m with some brokers concerned about the possibility of further write-offs.

BT, 5.5 361p on 8.8m,

unsettled by suggestions of a

possible delay to the sale of the

government's remaining 49 per

holding, as well as by OifTEL.

Profit-taking left recently-bought

Cables & Wireless, 8 down

at 56p.

The fall in British Gas,

11m shares, eclipsed that of BT, with Gas settling a further

2% ahead at 251.1p. Smith

New Court was said to have

carried out much of the buying

"we are long-term bulls of

British Gas," said Smith. Dealers said income funds had been chasing Gas shares which go ex-dividend during the new month.

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Shall, restrained by switching

out of the shares and into

BP, a move recommended by Kleinwort Benson, eased 5 to 51.6p on 2.1m.

Hardy Oil & Gas slipped 3 to 158p, the first time the stock has dropped below the 160p rights issue price.

Profit-taking in growth in

Africa following the ending

of US sanctions continued

to help Johnson Matthey (up 2 to 210p) and Charter

Contractors (up 7 to 470p).

Glassware, packaging and

printing company Rockware

had a heavy loss at Smith

New Court crossed a block of

around 1.1m shares with two

million at 54p. The block

represented about 2 per cent of company share capital.

Adas firms 3 to 32p on specula-

tion that the company broker, S.G. Warburg, had turned

positive on the stock. Adas declined to comment.

Unilever continued to lose

ground in forecasts cuts by

analysts on Thursday. The

shares lost 10 to 73p.

Lucas Industries added 4 at 168p as the market felt that

recent falls had been overdone.

Lex International was 2 lower at 150p after a line of stock of 5.7m

shares went through the market at 150p in a deal

to be arranged by agency

broker James Capel. The

company's results are expected

within a fortnight and County

MacFarlane predicts a loss of

around £3m. Mr Sandy Morris, of County, said: "The big issue is whether the management

is still overpriced."

General Electric moves

of the high

market.

Yesterday platinum closed at

1,700 a troy ounce, up 111

on the week.

Sugar prices rose sharply at

the beginning of the week in

New York as Japanese opera-

tors entered short positions.

However, prices in both Lon-

don and New York have since

been over-supplied.

Cash aluminium closed yes-

terday at \$1,307.50 a tonne, a

fall of \$9.50 on the day and \$26.50

on the week.

Platinum fell sharply on

Thursday on news that Atlan-

tic Richfield had developed a

new clean burning gasoline

which could reduce the need

for automotive catalytic con-

verters - the biggest industr-

y use for the metal. The

new fuel would cost about 16

more a gallon than unleaded, but would

emissions by about 37 per cent.

The company said: "But it did

not plan to go into production unless orders do so because

which was only the third daily setback in ten sessions, reduced the market's gains on the week by 1.5 points. Over the two week equity trading account, the market has risen by more than 62 Footsie points, or about 2.4 per cent as it has regained ground strongly after collapsing below the bottom of its trading range at the end of the previous account.

The recovery was prompted largely by speculation that UK interest rates would be cut, and also by some signs of an improvement in public opinion poll ratings of the Conservative government. With interest rate optimism somewhat in abeyance after yesterday's base rate reduction, which was the sixth since February, market strategists are now likely to concentrate on the political outlook.

Overnight news of a \$16m acquisition by BZW helped the shares firm 7 to 63p. BZW's weekly drinks sector review repeated the broker's buy recommendation on 45p better at 210p after news of the package reached the equivalent of heavy smf shares.

Electricity stocks, on the other hand, were higher in good weather. The Electricity Package closing 45p better at 210p after news of the final dividend. Turnover in the package reached the equivalent of heavy smf shares.

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IRELAND REGULATED<sup>(\*)</sup>JERSEY (REGULATED<sup>(\*)</sup>)

## ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED<sup>(\*)</sup>)

## JERSEY (SIB RECOGNISED)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

## GERMANY (SIB RECOGNISED)

GERMANY (REGULATED<sup>(\*)</sup>)

## ENGLAND &amp; WALES (SIB RECOGNISED)

ENGLAND & WALES (REGULATED<sup>(\*)</sup>)

## SCOTLAND (SIB RECOGNISED)

SCOTLAND (REGULATED<sup>(\*)</sup>)

## NORTHERN IRELAND (SIB RECOGNISED)

NORTHERN IRELAND (REGULATED<sup>(\*)</sup>)

## Wales (SIB RECOGNISED)

Wales (REGULATED<sup>(\*)</sup>)

## CHANNEL ISLANDS (SIB RECOGNISED)

CHANNEL ISLANDS (REGULATED<sup>(\*)</sup>)IRELAND (REGULATED<sup>(\*)</sup>)

## IRELAND (SIB RECOGNISED)

IRELAND (REGULATED<sup>(\*)</sup>)







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# FINANCIAL TIMES

Weekend July 13/July 14 1991



Police surrounded the Turkish embassy in London yesterday after Kurdish demonstrators had occupied the building in Belgrave Square. A police helicopter

and hundreds of officers, some armed, arrived within minutes to seal off the square, trapping the demonstrators in the embassy. At least 30 protesters were arrested after they had ransacked offices and daubed slogans on

and during a two-hour siege. The incident, among several

Kurdish protests across Europe yesterday, follows anger at the killing of 12 people by police in Ankara, Turkey on Wednesday.

Page 5

## Findus to close Grimsby fish plant

By Guy de Jonquieres, Consumer Industries Editor

**FINDUS**, one of Britain's leading frozen food suppliers, plans to close its plant in Grimsby, Humberside, with a loss of 900 jobs over the next two years.

The decision will end the company's production of fish fingers and other frozen coated fish in the UK.

Findus part of the Swiss Nestle group, blamed weaker demand for its products. 40 per cent of the plant's output, it said total sales of fish fingers had fallen by a quarter since 1987, as consumers had switched to other con-

venience foods such as pasta and pizza dishes.

Changing tastes, fierce competition and a 50 per cent rise in raw cod prices in the past four years had eroded profits from the 30-year-old Grimsby plant uneconomic, the company said.

Birds Eye Foods, the biggest UK producer of frozen coated fish products, said that although the market had grown tougher, it was not exaggerating the sales decline.

"It is not the case that the fish finger is on the way out. We have experienced no such prob-

lems," Birds Eye said.

Findus has invested £10 million since 1988 to modernise the Grimsby plant and equip it to make other types of convenience foods, but it has recently operated at between only 50 per cent and 60 per cent of capacity.

The company will consolidate production at its other UK plant, a newer facility in Longenton, built upon Tyne.

Planned £8m investment is expected to create 100 jobs over the next two years.

Production at Grimsby will be steadily run down over the same period. Findus said it would delay compulsory redundancies until next year.

The company is the fifth largest employer in Grimsby, where the unemployment rate is 11.7 per cent. A Grimsby council spokesman said the planned closure was a "devastating blow".

Findus is setting up a task force with a £200,000 budget in an effort to cushion the economic impact of the closure. It will explore other uses for the plant and help redundant employees with re-training and in founding new businesses.

The company plans to concentrate frozen food production on items such as lasagne, crème brûlée and pizzas.

It said that if it saw any demand for coated fish products in the future, it would meet it by sourcing from smaller UK suppliers or by importing from other parts of Europe.

Findus claims 15 per cent of the British frozen fish market, with about 230,000 annually. However, Birds Eye and some independent analysts estimate the company's share at only 2 per cent.

## Bush moves to salvage CIA nomination

By Lionel Barber in Washington

PRESIDENT George Bush yesterday made an impassioned appeal to senators to resist further delays in the hearings.

Mr Bush told senators involved: "They ought not to panic and run like a cover of quiet because something has been fingered by what's coming out of this process."

Mr Bush's speech followed from the New York Times and other organisations that the special prosecutor in the Iran-Contra inquiry had obtained important new evidence. This com-

prised hundreds of tapes of phone conversations between CIA headquarters and CIA agents in Central America involved in the White House operation to supply arms to the Nicaraguan Contras in the mid-1980s.

Mr Bush was vice-president at the time, and Mr Gates was deputy CIA director. Both men denied knowledge of the Contra resupply network until shortly before the Iran-Contra scandal broke in November 1986.

However, doubts about Mr Gates' version of events were sufficient to sink his nomination as CIA director.

tion as CIA director in 1987.

Two months ago, in what appeared to be a gamble, Mr Bush nominated Mr Gates once again for the top CIA post. In the past four weeks, two stories have surfaced which could torpedo the nomination.

The first focuses on allegations that Mr Gates, while deputy CIA director, was involved in supervising the illegal shipment of arms and technology to Iraq via third countries such as Chile and South Africa. The CIA denies Mr Gates made such transfers, but Congressional investigators have begun to subpoena witnesses.

The second story appeared this week when Mr Alan Fiers, a former CIA official who headed the task force, pleaded guilty to withholding information from Congress over the Contra operation. In his plea bargain, Mr Fiers directly implicated a third-ranking CIA official in a cover-up. Mr Fiers' co-operation, it is believed, stems from the counsel's possession of the tapes — an echo replay of the Watergate — that led to the downfall of which exposed the cover-up which brought down President Nixon in 1974.

The stampede out of cash into equities is long since over.

## Gorbachev to promise G7 radical defence changes

By John Lloyd in Moscow Peter Riddiford in Washington

PRESIDENT Mikhail Gorbachev will propose a radical conversion of the Soviet defence industry to the Group of Seven leaders in London next month during what is likely to be a sweeping appeal to their idealism and imagination.

Mr Gorbachev said yesterday that the radicalism of his plans for the Soviet Union could be judged by the measures he now proposes on the vast Soviet defence complex industry. "We are opening the door to the sacred place,"

His signal on defence conver-

sion raises the possibility that he will propose large-scale foreign investment in this sector, the most technically advanced in the Soviet Union and one in which foreign interest is already being shown.

In an appeal to the leaders of the world's seven countries, Mr Gorbachev said he wanted to move away "entirely from simple co-operation to the organic incorporation of the Soviet economy into the world economy based on the generally accepted rules of the game".

However, the US gave a lukewarm reception to a 23-page

letter from Mr Gorbachev to George Bush and other G7 leaders setting out his economic reform plan.

Mr Bush described it as "a good letter" but added that "we've got some differences with it", while Mr Brent Scowcroft, the president's national security adviser, said the letter was "the same kind of things that we've seen before".

Mr Scowcroft said it reported that Soviet military spending had already been cut by 28 per cent. "One of the more difficult questions to answer," he said, "is how far all that they have a precise under-

standing of total defence expenditures."

Mr Gorbachev yesterday artfully recognised that large sums would not be required in London, saying that "free financial resources are scarce in the world, and I believe that our co-operation will mainly in the field of initiating projects and project finance".

The Soviet president spoke to the leadership of the Soviet Supreme Soviet only an hour after the parliament had overwhelmingly voted to support his union treaty, with significant amendments, including a demand that federal tax be levied on all republics. The government's plan, signed by 10 out of the 15 republics, allows them to pay tax to the centre at their discretion.

Mr Gorbachev now has the blessing of the Soviet parliament and the leaders of 10 republics for his trip to the G7, though his tour will link the republics is based on an agreement in which important questions of division of powers between the centre and the republics still to be decided.

Weapons proliferation, Page 2

### CHIEF PRICE CHANGES YESTERDAY

	New York prices at 12.30	
Shares		
BMW (Br)	485.5 + 9	
Hochet	251.5 + 3.5	
Schering	535 + 15	
Peals		
Rheinmett Berlin	337 - 7	
NEW YORK (\$)		
Blasses	63 + 12	
Aztec	63 + 12	
Palat		
Becton Dick	67 - 7.5	
Chemical Waste	35.5 - 3.2	
Time Warner	90.5 - 3.2	
Westinghouse El	25.5 - 1.5	
PARIS (PPR)		
Shares		
Axa	945 + 21	
	Tokyo Sherry	- 40
London (Pence)		
ADT	503 + 103	
BPE Inds	125 + 5	
Bre Walker	29 + 4	
Grand Met	777 + 10	
Intergruppo	170 + 22	
Morris Ashby	73 + 11	
Reuters	811 + 19	
Palat		
Alan Paul	94 - 11	
	Brit Telecom	- 51.5
	Cannon St Inv	- 60 + 2
	Cheesa Man	- 21 + 5
	Christie Grp	- 37 + 6
	Globe	- 23 - 2
	ICI	- 122 + 8
	Jackson Grp	- 50 + 5
	Rank Organ	- 60 + 27
	Thames Water	- 276 - 6
	Willis Corroon	- 305 - 11

### WORLDWIDE WEATHER

Today An eastward movement of cloud and rain will result in a mainly dry day over much of England, but isolated showers are expected in the south and over Wales. Further north, over Scotland and Northern Ireland there will be sunny periods and scattered showers. Outlook Dry tomorrow, further rain on Monday.

### Base rates

Continued from Page 1

Household goods, clothing and footwear, and personal goods and services all showed stubborn price increases and led some City analysts to question the wisdom of the latest base rate cut — the opportunity for which had been opened by Thursday's decision by the Bundesbank council in Germany to keep its own interest rates unchanged.

Financial markets reacted calmly to the rate cut, and sterling closed in London unchanged against the D-Mark at DM2.35, exactly on its central position in the exchange rate mechanism.

However, Mr John Maples, economic secretary to the Treasury, struck a dampening note with his caution over further cuts in interest rates. Speaking

on Channel 4 television, Mr Maples said that room for a further easing in monetary policy "is now very considerably more limited than it was earlier". But he thought the latest cut in interest rates, combined with the recent fall in oil prices, would soon start to feed through to consumer demand, bolstering economic activity.

In contrast, Mr John Bell, economics spokesman for the opposition Labour party, said the outlook was still poor. He said the cut should be available by a full percentage point, while the rise in underlying inflation was "discouraging and depressing".

Mr John Banham, director general of the Confederation of British Industry, said the cut was "small but welcome".

### BCCI

Continued from Page 1

BCCI could not rely on outside assistance if it got into trouble and that it showed some signs of failing to perform in line with its peers.

"If we were to rate BCCI, I believe our Legal and Regulatory would be somewhere C and D," IBCA wrote to a client on June 22.

In the language of ratings agencies, this meant the bank was already showing some signs of possible trouble and no help would be available if it needed a bail out.

Standard & Poor's and Moody's Investors Service, the two biggest US rating agencies, did not rate BCCI.





## FINANCE AND THE FAMILY

# How to PEP up your portfolio

**Personal Equity Plans can offer attractive tax-free income and gains to investors.**  
**Philip Coggan explains how to decide which is best for you**

**P**ERSONAL Equity Plans are growing in popularity. The lure of tax-free income and capital gains has grown, especially now that the annual limit is £6,000 a year.

They will get even more popular over the next year as a general election grows closer. Labour is unenthusiastic about PEPs and they are unlikely to survive in their current form, so there may be an element of "buy now, while (tax-free) stocks last".

There are, according to Chase de Vere, more than 400 PEPs available. So how does one select a PEP?

The first task is to decide what kind of investor you are. Do you feel hopelessly lost in the world of high finance? You will probably want a managed PEP. Have you got more than £6,000 to invest this year? You would probably be best in a unit or investment trust. The former have immensely popular in recent years, with almost 700,000 units trust in existence — more than 100,000 taken out in the quarter of this year.

If you are confident to choose your own shares, you will want a self-select PEP. But if you divide your £6,000 allowance into too many small jumps — the charges will be crippling.

Whichever PEP structure you choose, Michael Chadwick of Chase de Vere recommends that you should slant your plan towards income, rather than growth-based plans. Only a limited number of PEPs are likely to offer up their annual £5,500 capital gains allowance; it is reinvesting the gross income that's the main attraction for most PEPs.

Finding good performance figures is one of the most frustrating problems for a putative PEP investor. A PEP can have a record of more than four-and-a-half years.

Those who are interested solely in unit and investment trusts PEPs have an edge since they can look at the published records of these funds. But they should look beyond the one year figure and see whether the fund is consistently better than average over a longer period.

**What is a PEP?**

A PERSONAL Equity Plan gives the right to buy shares, unit and investment trusts so that gains or income are tax-free.

At the moment, only one PEP can be taken out per tax year although from January 1 1992 investors will be able to add a single company PEP to a conventional plan. There is no time limit for a PEP holding.

The maximum holding in a general PEP is £6,000 per tax year; when the single company PEP is introduced, that will have a £3,000 limit. An investor who opened both could invest £9,000 in the current tax year.

You can only invest £3,000 in a unit or investment trust within a PEP. Currently the PEP limit is £6,000 per annum in investments, but in the autumn, this limit will be extended to £12,000. The recession, however, has reduced the 1992 recovery to less than one per cent.

But just as well as a half in the summer of May and so far improved a good month.

The recession, however, has been swamped by the large company share price falls taken after the Gulf War, with an expectation of a recovery in 1992.

But just as well as a half in the summer of May and so far improved a good month.

The recession, however, has been swamped by the large company share price falls taken after the Gulf War, with an expectation of a recovery in 1992.

The All Share is up 4.8 per cent, while shares just the same in the rough 8 per cent average, especially as a percentage of dividends paid out are not too good over a year.

So savers need to be more conservative in their savings in the UK — or turn to under-linked funds — for a little while. The yield on the All Share is currently above 10 per cent, which could provide compensation for a PEP.

Self-select PEPs

MANY readers will be familiar with self-select PEPs and Michael Chadwick picks out two PEPs — Newton

1 to 6 per cent — an annual management charge (likely to be between 1 and 1½ per cent) and further charges every time you deal. Some impose penalties on partial withdrawals.

Charges will vary depending on the kind of PEP you choose. They should be on a unit PEP, and on a unit trust PEP, charges will frequently be higher than on buying the same trust directly. They are likely to be highest on a managed equity PEP.

Best PEP Selections has analysed it for the Immediate Realisation Value, which is what would happen if you sold your PEP immediately after buying it. The average IRV is 92.93 per cent; in the investor takes 7½ per cent of his money as soon as he takes his PEP.

Add in the annual charge and the investor might see per cent disappear in the first year.

Compare that with the advantages. If the portfolio yields 10 per cent, the saving would be 10 per cent, with a minimum of 2½ per cent. Dealing charges are cheaper at 1.5 per cent, with a minimum of £17.50, and a maximum of £22.50, no collection charge.

Managed PEPs

WITH the majority of PEPs, the investor's choice is limited to choosing the manager at the top. Look for a firm with a good record, a broadly based investment and low charges.

Best PEP Selections picks out two PEPs — Newton

and Fidelity Growth

Chase de Vere points to where the charges are low.

Killik (071-224-2050) has no initial charge and commissions on dealing are 1.65 per cent, with a minimum of £17.50. However, there is a dividend charge of £7.50 every time a company within the PEP pays a dividend. This makes the PEP most attractive to those who want to buy only one or two shares — the total charge on a two-share PEP where companies pay half-yearly dividends would be £30.

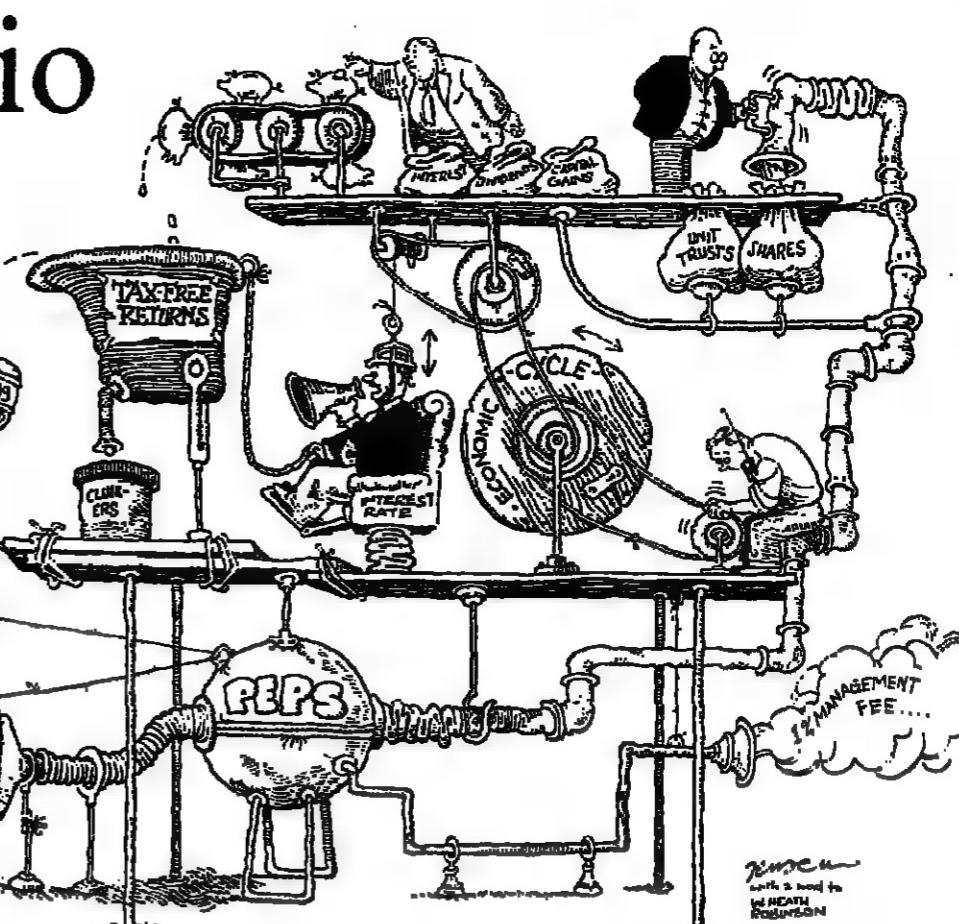
Pilling (021-200-2242) waives its annual charge of £25 plus VAT, but it also has an annual charge of 1.5 per cent, with a minimum of £17.50. It also makes a dividend charge of £7.50 a time. The total charge on a two-share PEP where dividends are paid biannually would be £30.

Sharelink (021-200-2242) waives its annual charge of £25 plus VAT, but it also has an annual charge of 1.5 per cent, with a minimum of £17.50. It also makes a dividend charge of £7.50 a time. The total charge on a two-share PEP where dividends are paid biannually would be £30.

Corporate PEPs

A NUMBER of PEPs are based on the shares of an individual company — where a full £6,000 can be invested. From January 1992, there will be a new type of corporate PEP in which holders can invest £3,000 on top of their normal PEP allowance.

Many companies see corporate PEPs as a way of widening their shareholder base and as a service to their small share-



The two leading managers in the field are CEP Trustees (071-342-8998) and Bradford & Bingley (0774-555555).

**Share issues**

ONE recently exploited wrinkle in the PEP rules is the ability to transfer a £6,000 allocation of a rights issue into a PEP.

Many investors buying investment trusts have used this loophole, the only way to get the full £6,000 into an investment trust. Split capital trusts are popular within PEPs, particularly for older investors attracted by the double-digit yields on some income issues.

The question of rights issues and the later instalments on privatised shares is rather more complex. You can only

use your rights, or pay subsequent instalments if your PEP plan for the year is sufficiently far below £6,000.

If you have invested the full amount, you will be obliged to sell shares in the appropriate PEP to create room to meet the new payment. This will also be necessary if the rights issue, or second instalment, occurs in a year when you have already opened a PEP plan.

## Home loans rate is trimmed

**David Barchard sees mortgage lenders battle for the initiative**

**H**ALIFAX BUILDING Society, the flagship of the UK mortgage industry, yesterday cut its basic mortgage rate from 12.45 per cent to 12.35 per cent.

This is the society's lowest rate for three years. It will certainly be followed in the next few days by other lenders. If you are an existing borrower, in most cases you ought to be able to look forward to a cut in your monthly payment from August.

Those who are interested solely in unit and investment trusts PEPs have an edge since they can look at the published records of these funds.

But they should look beyond the one year figure and see whether the fund is consistently better than average over a longer period.

reduction of about 217.70 on a £50,000 endowment mortgage, and £15.35 less on a repayment mortgage. On a £100,000 the reduction will be £28.54 for endowment mortgages and £38.57 for repayment mortgages.

This will help homebuyers, but it will probably not lead to a dramatic revival in the UK housing market, at least in the short term.

I genuinely believe that we are in a very cautious period where fear of unemployment is the motivator for most people and the market will take a period to recover," says John Derby, marketing director of John Charcol, the mortgage broker.

This is a good time to enter the market if you are a first time buyer. Not only are there more properties around than there are buyers, but several good discount mortgage offers are available. Halifax gives a 1.5 per cent discount for a year from completion in 10.45 per cent (APR 12.7 per cent) and a 2 per cent discount for a

year for loans of more than £60,000 — 9.95 per cent (APR 12.6 per cent).

One of the interesting features of the present situation is that building societies and banks still look a much

better bet for most people than the centralised lenders, such as National Home Loans or the Mortgage Corporation, which entered the market in the late 1980s and undercut them so effectively in 1987 and 1988, the last time rates were low.

The centralised lenders appear to be trailing the market when it comes to making cuts. Building societies can

now offer the same spread of specialist mortgages and have the benefit of a branch network for their customers as well.

Fixed rate mortgage offers: Page V.

## You should take it

Whether you are contemplating moving abroad or are congratulating yourself for having done so, there is a magazine dedicated to you and your needs.

It's called Resident Abroad, and from Calais to Calcutta it is acknowledged as the authoritative guide for British expatriates.



As you'd expect from a Financial Times publication, the ABC Guide to Investment — from

Accumulation Units to Zero Coupon Bonds — is both innovative and incisive. We also back up our in-depth analyses with comprehensive Offshore Fund performance statistics, which give you

a monthly picture of how the funds are performing.

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## FINANCE AND THE FAMILY

*Philip Coggan offers advice and help for BCCI depositors and customers*

# After the closure: what to do

**D**EPOSITORS and customers of BCCI are understandably worried about the financial position after the bank's worldwide closure by regulators' authorities.

Here is a guide to the position of depositors, borrowers and credit card users:

The deposit protection scheme. Your deposits will be covered by the scheme only if they are remaining and have a term of less than five years. Certificates of deposit are not covered, nor are holdings in other currencies.

Only 75 per cent of a deposit of up to £20,000 is covered - which means that the maximum compensation is £15,000. The scheme is based on the address of the bank, not the depositor, so that people who live overseas, but have an account in the UK, are entitled to claim.

Senior executives and bank

claim but it is not clear how far up the management chain you have to go before you are judged to be "senior".

If you have a claim, the Deposit Protection Board will be given details of all account holders and will write to them at their given address and ask them to claim. This will probably happen when the bank is formally wound up, although it may be slightly before that in an attempt to speed the process.

It may be some time before you get your money from the scheme but it is likely to be months, rather than paid.

The Deposit Protection Fund will stand in your place as creditor and will receive the first £15,000 of your money that the liquidator can get out.

However, if you have a larger deposit than £20,000, you will still have a claim on that

part not covered by the Deposit Protection Scheme.

Dealing with the bank. If you had an account with the bank, and your salary is normally paid into it, ask your employer not to. You should ask for the account to be closed. The bank may be sympathetic to BCCI holders who want to open a new account, and the liquidators will need to produce evidence of your BCCI account.

If you have a mortgage with the bank, you should continue to make payments in the normal way. It is possible that the mortgage will be sold to another bank, in which case you may face a change in your terms and conditions.

If you have Visa travellers cheques from BCCI, the company has said that it will honour them. However, if you have a problem with a trader,

call the Visa helpline on 071-937-8151.

Traders

Perhaps those in the most difficult position are small businesses which are unable to pay their bills because their BCCI account is frozen. Some companies may have to go into receivership because of this.

However, another bank might be prepared to lend you money, if you can prove a claim against the bank.

If you have a mortgage with the bank, you should continue to make payments in the normal way. It is possible that the mortgage will be sold to another bank, in which case you may face a change in your terms and conditions.

If you have accepted a credit card as payment before Friday, July 5, you should get your money. Transactions which occurred before BCCI was closed on Friday

are being accepted. You should not now accept a BCCI card as payment; your bank will not authorise it.

Credit cards

You cannot use your BCCI credit card. Automated Teller Machines have been programmed to gobble them up and traders have been given instructions to retain them.

However, that does not mean you can get away without paying your bill. If you do not, you will be pursued by the liquidator and you may get a black mark on your credit rating.

If you have already received a Bill, pay the normal addressee. New bills should give instructions on how, and who, to pay. You should not be charged extra interest if your statement is delayed.

You cannot automatically transfer your card to a new issuer. You will have to repay to another company.

Offshore accounts

There are many overseas arms

of BCCI, so it is impossible to cover them all. However, the Isle of Man has its own compensation scheme, which is roughly similar to the UK one.

In Luxembourg, there is a deposit protection scheme with a limit of £100,000 or £150,000 in Pakistan it is still paying depositors, but it is not worth trying to get your money, unless your branch has a branch in that country.

Helplines

We have further problems, call Touche Ross on 071-601-6766, the Bank of England on 071-601-6766 - Visa helpline on 071-937-8151.

Various firms of accountants and lawyers have also offered help. Among them is Levy Gee, accountants 071-267-4477, and solicitors Jacques & Lewis 071-482-7765; M. Butler 071-247-6555; Alexander Tatham 061-238-4444.

There are many overseas arms

of course, National Savings

site.

The situation with building societies is more complicated. The Isle of Man is a depositor protection scheme. Guernsey, Jersey and Gibraltar do not have deposit protection although all have regulatory authorities. Most UK banks operate offshore through branches and therefore have a branch with the UK bank itself (though it will not benefit from the UK Depositor Protection Scheme). While all building societies operate offshore through subsidiaries under the Building Societies Act, they are not for the most part wholly or majority owned

by UK shareholders.

This is a remarkable record.

While insurance companies do not (one only a couple of months ago) they are in a slightly different position. The Life Policy Holders Protection Fund pays 90 per cent of outstanding claims without limit.

The Mutual Co-operative movement has the same attitude to collective responsibility as the building societies. Local Authority Bonds are issued on behalf of the authority. For

more information see the website.

**John Woods**

John Woods is editor of *Financial Times* and managing director of *Financial Times* and *Property Week*.

## The risk in every investment



**T**HE COLLAPSE of the Bank of Credit & Commerce International should remind all investors that the security of bank depositors must be taken for granted.

All institutions seeking investments must have some form of regulatory control and this can only reduce risk rather than remove it entirely.

Depositors' protection schemes offer only limited protection. For example, if it is 75 per cent of the first £20,000, for building societies 90 per cent of the first £20,000. Now that individual investments of more than £100,000 are becoming common these limits, which were set at a time when when £20,000 was still a large deposit, are beginning to look inadequate. Not that long ago building societies were allowed to accept investments of more than £20,000 from each individual.

A partial answer might be to limit each individual to a maximum of £20,000. However, as the best rates are normally only available on larger amounts, this might mean sacrificing income.

Investors wishing to put all, or at least a large proportion of their money in the basket, should check the record of the particular regulatory or trading body concerned when members get into difficulties.

To take individual examples, no one believes that in the unlikely event of one of the High Street banks getting into real difficulty, the Bank of England would allow it to fail. However, the Bank of England's attitude to smaller banks is very different. Five banks have been allowed to go into administration in the last year alone. British & Commercial Merchant Bank, Authority, Chancery, Edington and Wallace Smith Trust.

The building societies movement, on the other hand, is a way of ensuring that no depositor loses money. The Days building society, founded in 1978 where the chief

was found to have embezzled a large chunk of the society's funds was a good example. This year standards were made available to the Leamington Spa and Cheshunt Building

Societies to prevent a possible run following the announcement of poor results.

According to Susan Anderson, of the Building Societies Association, no building society depositor has lost money through the failure of a society, "certainly since before the war and probably not since the 19th century".

This is a remarkable record.

While insurance companies do not (one only a couple of months ago) they are in a slightly different position.

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more information see the website.

**Divorce and pensions**

*Scheherazade Daneshkuh on a question of equality*

**T**HE ISSUE of equality and pensions has focused on equal pension ages for men and women. But any woman facing divorce should realise that separation can devastate a pension as much as it can a marriage.

A study by the Centre for Economic Policy Research, funded by Joseph Rowntree Foundation, shows that the proportion of divorced women who are of pensionable age is increasing rapidly.

The authors, Heather Joshi and Hugh Davies estimate that by 2010 13 per cent of divorced women will be over 60 compared with only 3 per cent in 1985.

Many of these women will have to rely on the state pension and Joshi and Davies say: "The divorce boom of the 1970s and 1980s may be creating a new source of pensioner poverty of the future."

Under current law, if a man is in a private or company pension scheme, his wife loses all rights to his pension once they are divorced. The situation is the same under the State Earnings Related Pension Scheme, Serps.

Under the basic state pen-

sion, the husband's pension counts towards the estranged wife's pension. However, the basic state pension (currently £115) is not enough to meet the pensioner's needs - tests are needed to measure the basic state pension, which is a benefit unrelated to earnings.

A variant on this idea would be to provide a bonus to the basic pension for women (or men taking time off work to bring up children) for each child. Home responsibility credits could be made available for women during which earnings are low and child benefit is drawn.

There are two main reasons for the discrepancy in income between husband and wife pensioners: pension splitting.

Time taken out of work to bring up children takes a heavy toll on a woman's pension.

Joshi and Davies estimate that the opportunity cost, or foregone earnings, of having two children is equal to half the earnings of a childless woman, within the low-middle range.

Second, even though the majority of women work, they tend to earn less than men. High-earning women tend to be assigned to anyone who is not a family member. For this reason, there has been a push for pension splitting on divorce, notably by Helen Meacher, Labour's spokesman on pensions and security, last week.

The authors conclude that pension splitting will not necessarily help the hard-up of the future.

The authors in pension entitlements and her former husband's. This will only go

to the extent that she is entitled to most of the pension.

The authors point out that even if legislation is introduced to split the pension on divorce (as in Germany and California), it will still only be a fraction of her former husband's. This will only go

in earnings-related pension schemes, such as company or private pensions. The suggestion to give a better pension to women would be to increase the basic state pension, which is a benefit unrelated to earnings.

A variant on this idea would be to provide a bonus to the basic pension for women (or men taking time off work to bring up children) for each child. Home responsibility credits could be made available for women during which earnings are low and child benefit is drawn.

Alternatively, the government may have to look at legislation to ensure that which exists in Sweden, where women who have children can take at least a year off work on 90 per cent of their salary and where extensive childcare is provided. It is clear that the issue of pension equality is unlikely to go away once the question of the retirement age for men and women is settled.

March 31 is Tuesday. The announcement has been put back a day because of the funeral of Jim Doel, the late chairman, who died of a heart attack last weekend.

The profit shortfall, paired with £12.2m pre-tax in 1989/90, will be reflected in the share price.

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The profit shortfall, paired with £

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## MINDING YOUR OWN BUSINESS

**D**OWN A string of small Somerset country lanes, with the Blackdown Hills as a backdrop, is a farm beginning to prove that even in agriculture today small can be beautiful.

The 35-acre farm is home to no more than 1,000 animals: 800 chickens, 100 guinea fowl, cattle - including a dozen rare Red Poll - and 30 sheep, except at Christmas when there are an additional 50 turkeys and 50 geese.

The farmhouse, built in 1860, is home to Bill and Charlotte Reynolds and to all the trappings of a modern office. There are sufficient up-to-date preparation and cold store areas to satisfy visiting health inspector. Importantly, for those who care about the taste and quality of their meat - from more expensive cuts of beef, lamb and pork, to free-range chickens and the more humdrum hamburgers, sausages and excellent bacon - the farm is organic.

It was not so when the Reynolds bought it in 1987. But with the converted amateurs, the skills from their previous lives - as a teacher, a physically handicapped child, she a artist - patience, hard work and the ability to get over some bad mistakes, the farm should make its first small profit next year.

According to Charlotte pigs are addictive, an addiction that first dawned on her in the 1980s when she kept two weaners, Bubble and Squeak, on land that abutted their first home.

To provide good food for her family she learnt by trial and error how to make sausages with her Kenwood mixer, how to cure sides of ham and how to look after cattle. Her clientele increased as Bill's produce is sought after by staffroom colleagues, a couple of local public demand for organically reared meat extended beyond their four walls.

In 1987 they began the requisite two-year conversion of the farm according to principles for organic farming controlled by the UK Register of Organic Food Standards.

This was an expensive process and coinciding with a capital expenditure of £160,000 on the farm's buildings, plant and machinery, and inadequate financial advice, was by early last year causing the Reynolds' to think again and moving.

The couple were caught on the horns of an organic dilemma. Organic feed for animals costs £100 per ton more than the normal and the animals are allowed to live longer; broiler chickens are slaughtered at five weeks, free range at ten or more, and organically reared pigs live an extra ten weeks.

Costs are higher, sales take longer, cash flow is harder to generate. Their mistakes included allowing their first 500 turkeys, all sold at 16-pounds, to reach 24lb in weight. They also failed to sell any success rearing guinea fowl.

It was only early last year that they realised from the number of interested buyers just how valuable an organic farm had become. It was quickly taken off the market. Bill gave up teaching to work the land single-handed and extra efforts were put into selling their meat to the public: a public which wanted its meat to be full of



Scouts in the breed: Bill Reynolds won the pony in the West Country

## A small (organic) country living

Nicholas Lander on the struggles of a Somerset farm

flavour rather than hormones and to come from animals which had a "decent life".

They had always operated a farm shop through which they sold their meat, as well as organic vegetables, beer and wine. Bill goes every fortnight to a Saturday market in Bristol, once a week to private homes and to one or two restaurants in London and, via a carrier, which delivers overnight, to the rest of the country.

They have also spread the word at local agricultural shows, winning awards and facing scepticism from larger-scale farmers.

They recently won a gold medal at the North Somerset Show and their selling organic hot dogs, at £1.50 each, had one of the longest queues at the Bath and West show and did wonders for their cash flow.

They have recently hired an assistant,

who read law at Cambridge, to help with Bill's growing business. She was vacuum-packing the sausages and steaks which Charlotte had prepared the day I was there.

Standing all day by a cold store making sausages seems to come naturally to Charlotte, a science graduate from Birmingham, as does tending the farm to

Bill, who read English at Oxford. The determination to give the public top quality organic meat, for which there seems more and more demand, strikes in the oddest ways.

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- 2 Be fed on feedstuffs free from in-feed growth-promoting agents or animal by-products
- 3 Be free from routine medication, whether for disease prevention or growth
- 4 Be reared with due attention to their welfare and have free access outdoors

## The horse trade tightens its girth

**O**NE OF the big winners of the Thatcher years was, without doubt, the horse. Britain's population of equus caballus had risen up to more than 500,000 by the late 1980s. The horse market grew too. A report concluded that at £750m, the equine business was as big as office equipment.

More families had more money to buy such beasts for their offspring. The gymkhana crowd gradually spread closer to urban areas and further up-country from the south. Clubs filled up with more Tracys than Trudys, more Sharons than Snatches.

The trend has been for equestrian trade and the actual horse riding population to move north. Robertson, 51, of the family equestrian equipment business of the same name, "I was brought up in Derbyshire. My son and other boy were the only people within 20 miles who rode. If you go up there now, nearly every field has a dozen horses turned out in it." One of the country's biggest retailers of tack is in that famous northern horse-riding town of Wigan.

This growth has helped Stephen Robertson, based in Exeter, raise its sales from £250,000 to £400,000 over the past five years. But the recent history of Robertson's shows that old dogs must often learn new tricks. Starting out as a saddlemaker 12 years ago, the company has had to adapt to shifts in demand for tack as significant as the rise in size of the overall market.

"The demand has remained from professional show jumping people and the hunting and racing fraternities," says Robertson. "But with many more types of parents now earning more money to buy their children ponies, there was a tremendous boost to the cheap end of the trade. While that has gone back a bit, it is still much more important than it used to be."

Strolling round the company's stock bays which house the many hundreds of items the company sells, there remains the pervasive smell of clean cowman: of leather and saddle pads and children's stationery, has been hurt by other shifts in the industry's economics. Through the 1980s, the proportion of goods manufactured by the company has fallen from three quarters of sales to little more than 40 per cent. More than a quarter of the company's sales come from items imported from abroad, usually made in Asian countries.

"Polypropylene bridles are one quarter the cost of British leather bridles and for," says Robertson.

"Recently we shipped 1,100 girths to Germany. There is competition in Taiwan. We import rubber stirrup tread (to stop feet sliding) from Hong Kong. We also get rein stops from Hong Kong as well as over-reach boots (preventing the blind hoof from striking the fore hoof). We import thinning scissors from Pakistan. They are better than the best made in Sheffield and are a quarter of the price. Stirrup iron bits used to be all made in the Midlands. Now it has lost 50 per cent of that to the far east, mainly Korea and Taiwan, over the past ten years."

A seventh of the company's sales come from rugs made of things such as waterproof canvas and jute cloth. "Some materials like Thermalux are killed off wool rug because of the high prices of wool."

Robertson says that new materials still form only a small part of the total tack market and imports account for no more than 15 per cent of equestrian gear sales in Britain. Even though the company has long since stopped making saddles it still sells them in from a manufacturer in Walsall, in the heart of the traditional tack manufacturing area of the Black Country.

**Nick Garnett meets a tack-maker facing up to a changing market**

"At one time Indian bridles were not very good. Its quality was poor, the leather wasn't even properly tanned. Now some Indian craftsmen put our own to shame. Within the pony club regime there has been a 'don't touch Indian' atmosphere. I think they will have to swallow their pride."

Selling factored products can hamstring overall profits. Margins are lower than on Robertson himself. The company's net return of 10 per cent, before Robertson takes his own salary, is not high. What has not proved difficult is finding overseas suppliers. No globe-trotting is required. "We just do a lot of delivery through embassies. If I think a product is Taiwanese or made in Hong Kong I would go to the commercial section of the respective embassy in London and they would supply me with a list of possible suppliers and we would start the ball rolling."

If most of the 1980s was an extended happy hour for the horse, the high growth years for the equestrian tack trade have come to a halt. But its importance is here to stay. "I guess that's the only thing that could reverse that would be a ban on hunting. That would definitely have an upsetting effect on trade."

Stephen Robertson, Kestrel Way, South Industrial Estate, Exeter EX2 7LP. 0392 421251.

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## FOOD &amp; DRINK

On the west bank of the Rhine French flags fly over towns with German names. FT writers savour the hybrid food and wine of Alsace

**B**EING female has caused me only one problem as a wine writer, but I consider it a serious one. I happened to be in Alsace during the most delicate stage of my first pregnancy and for years afterwards could not lift a glass of the region's distinctively perfumed wine without getting queasy.

But now that our firstborn is old enough to describe most of her parents' actions as "gross", the spell seems to be broken. I have fallen in love again with the wines of Alsace and have been seizing every opportunity to renew my acquaintance with smoky dry whites that make unusually good aperitifs (far better than Chardonnay) — all having the guts to stand up to foods as variously powerful as venison, vacherin and vindaloo.

The thing people tell me about these wines is that Alsace winemakers are so consistent it is impossible to find a disappointing bottle. Do not believe a word of it. Some of my recent purchases, especially of Rieslings, have been as dull, and sometimes as dirty, as ditchwater.

But when they are good, Alsace wines are very good, and, as elsewhere, we have the blue chip 1988, luscious 1989 and hyper-rich 1990 vintages to choose from. Other good recent vintages are 1983, 1985 and, while 1986 was, as in Bur-

gundy, the producer is the key. As in Burgundy, increasing polarisation of producers. On the one hand are the large (by Alsace standards) *négociants* such as Hugel, Trimbach, Beyer and the Döppis who buy in grapes from other growers and blend wines to sell under their own special labels. Their top bottlings are some of the very finest wines of the region.

Hugel has for years been showing the rest how to make the extraordinary late harvest wines labelled *Vendange Tardive* and, even sweeter, *Sélection de Grains Nobles*. In the more usual dry-but-perfumed style of Alsace however, I have found that to be sure of real excitement behind a Hugel label, you have to buy their top range, once called *Réserve Personnelle*, now called *Jubilee* (available from O W Loeb, London SE1 about £120 a case; La Vigneronne of London SW7 have halves of Hugel 1985 for £6.95).

Trimbach, more famous in the US, terrifies at slow-maturing Rieslings such as their *Cuvée Ste Hune* and *Cuvée Frédéric Emile*, while Leon Beyer is the king of Gewürztraminer making extraordinarily opulent wines, particularly *Cuvée Comtes d'Eguisheim*.

But the monopoly that the large houses enjoyed in export markets has been broken, just as in Burgundy, by individual domains. Growers who bottle their own vineyards now export more than four times as much wine as they did in 1980, while total exports have grown by a half. And the best of these growers — singing the sort of tune that a more sophisticated wine drinker wants to hear. It *terroir*-driven. Rather than blending wine to match their own special labels, effectively brand names, the likes of Zind-Humbrecht, Marcel Deiss, André Ostertag and

Paul Blanck are dedicated to expressing the particular conditions of a single terroir, one carefully delineated vineyard, and usually that qualifies as a Grand Cru.

Alsace's superior Grand Cru appellation had a difficult birth back in 1975 and is still in intensive development. The negotiants are quite right that the words Grand Cru on a label are no guarantee of quality. On the other hand, a Grand Cru from one of the new generation of geography-conscious *négociants* will probably be in the more thrilling wines you will ever taste, full of searing fruit and intense aroma.

Zind-Humbrecht may be the most expensive Alsace producer but their premium is well-deserved: you can taste the concentration and low-yield in the glass. The current bargain has to be their *Riesling* (from the rack) which is far better than many Grand Cru Rieslings I have tasted

recently, and, for the really long term, *Riesling Clos Hansen* 1988 (£8.49 Thresher and Wine Rack).

Marcel Deiss exhibits even more fanaticism in his devotion to the notion of *terroir* and Grands Crus. *Lea & Sandeman* of London SW1 has a wide selection from a 1988 Sylvaner at £4.85 to a quite extraordinary Riesling 1988 Grand Cru Schœnenberg, *Sélection de Grains Nobles* that constitutes essence of Riesling, as well it might at £38.95 a bottle.

André Ostertag is another young hawk who has been tinkering away like mad with the old formalise. His "vins de fruit" are designed to show off the grape, his "vins de pierre" the terroir. He has also been experimenting with deliberate oak ageing, even for Pinot Blanc. His wines can be bought relatively reasonably by the case from Morris & Verdin of London SW1 or by the bottle from La Vigneronne, SW7 or Wines of

Paris in Edinburgh.

Philippe Blanck also has the slightly eerie gimp of a fanatic. The excellent wines of his family company Paul Blanck are available, in their dramatically non-Alsatian bottles and labels, from Adnams of Southwold. Another reliable and quite widely distributed name is a good one, Rolly-Gassman, whose sweater-than-most wines are sold by Bibendum of London NW1 (some 1980s still available). Thus Pealing ■ Bury St Edmunds, Tanners ■ Shrewsbury and Raeburn Fine Wines of Edinburgh.

Perhaps my favourite producer is The Feller of the Domaine Weinbach (both names are used on wine lists). *Leck Immer* ■ Lay & Wheeler of Colchester offer Feller's Riesling 1988 Grand Cru Schœnenberg by the bottle for a full justify £10.75. (They also have the wines of Schlumberger which can be delicious.)

Another old Alsace saw is that the *co-ops* are brilliant. That is not universally true either but the Turckheim Co-op is excellent and its well-made wines, even including some Grand Cru wines such as their almost painfully dense Tokay Pinot Gris 1989 Brand (£3.95 Thresher and Wine Rack), are widely distributed and well priced.

Jancis Robinson

## Eating out in France

**T**HE SETTING is perfect, well away from the walls of Riquewihr, one of Alsace's most picturesque towns, perches Auberge du Schœnenburg. The sun shines in on tablecloths while diners look out to a hillside vineyard through picture windows.

The family lunch starts with a complimentary glass of chilled mineral water followed by a complementary salmon mousse. There is a choice of three set menus at FF120, FF160 and FF200 and the carte. Wanting a light and inexpensive meal, I chose the FF120 menu. (They also have the FF160 menu.) The dishes *au grillades* or *au croutillant de dorade* with *sous-vide* and *mousse glacée à la boîte*. Since the restaurant had been recommended by David Ling, assistant manager of Hugel et Fils, a leading Alsace wine producer, we picked a bottle of the Riesling Hugel, cuvée tradition,

turned out to be a good choice. Additionally our eight-year-old son was very happy with his fish dish, the *steak frites*, served on nearly "children's menu" in France, wearing a little thin.

The salad and duck first course was presented in a basket of sliced tomatoes tied with leek. The daurade, a white-fleshed river fish, came crisp-skinned with the tenuil beautifully understated.

While we ate our mousse, delicately-flavoured with star anise, our son finished his chocolate and vanilla ice and pronounced it the best he had ever had. The meal for three, wine, coffee, service et al cost FF127 (£22.75).

The husband and wife team of François and Christine Klenner run the restaurant. They are young and, I would think ambitious. More important, they are welcoming and talk enthusiastically to their customers. Their Michelin star is well deserved.

By way of contrast, the following evening we made a return visit to Au Boeuf Rouge in the centre of Andlau, one of many villages on the route du vin.

The dining room of Au Boeuf Rouge with its wrought iron chandeliers, massive beams and wood paneling falls into the romantic school of interior decoration. The formidable Madame Klaffer is in charge front of house, while her husband and son work away at the stove.

The food is rich and substantial and the carte du vin offers some excellent local wines. A good-quality market menu is offered. Altogether dishes tried included: salad of fried lettuce and prawns dressed with hazelnut and champagne vinegar, carpaccio of salmon and pink perch, boned stuffed quail with goose liver, braised sweetbreads and braised duck with orange. Starters are priced from FF80 with main courses starting from FF180. Additionally, there is a good quality children's menu at FF75.

I wished that I had the appetite for the *choucroute* served there. My neighbour's steaming meal of sauerkraut, smoky sausage, pork potato and goodness knows what else was a meal to suit the hungry hikers who stride the Vosges mountains.

Madame Klaffer recommended an Alsatian Grand Cru Moeschenberg Riesling 1986 from local vigneron André and Rémy Gresser. It was a real find.

Au Boeuf Rouge is a fine example of a traditional family-run Alsatian restaurant where one may take friends with hearty appetites.

Jill James

## Cookery For hearty appetites

**A**LSACE, presumably no Franco-philie would be found among them German Shepherd dogs — has always struck me as a place to visit in winter.

It is not that I feel drawn by the damp and cold reputation of its winter climate, but the cooking of the region is rich and filling and portions tend to be huge, clearly designed to sustain the inner man as well as the outer. To enjoy it to the full you need to be hungry.

Alsace is an area where birds are prized for their livers, and those geese that are not fattened for their livers find favour spit-roasted, stuffed with chestnuts and pears, or richly casseroled. Potato cakes are fried in the goose fat to serve on the side.

Alsace is famous for strong Munster cheese, and for sweet and savoury yeast cakes and breads. *Pâté au brioche* is a star turn.

Gans is plentiful and pork is the essential meat, every part of the pig being prepared in every conceivable way: smoked, salted, spiced, cured, made into sausages, packed into fatty pies, served hot or cold, sauced, with salads or cabbage.

Dishes seem Germanic in name and appearance, but their flavours reveal more subtle French accents. The ultimate inculc of the area, where the sauerkraut or *choucroute* is flavoured with the local wine, is to describe someone as something as being "as *alsacien* as water".

One favourite meat or anything food is *flammekueche* or *tarte flambée*, which is Alsace's answer to pizza. This is a bread dough stretched pancake thin, spread with curd cheese and onion, bacon and onions, baked until sizzling and finished with gold.

I am told that country people used to tuck into it as a mid-morning snack, like *croissants* or what the Welsh call *twinkies*. It was common practice to down a hearty soup first, and to follow the tart with a swig of locally distilled *au jus*, to help body and soul together until lunchtime.

It surprises me that in an era of the *cheeseburger* and the *Big Mac* the *flammekueche* is not my first thought. Summer, however, may have pastry or bread dough bases and are usually packed with a rich quiche-like custard filling topped with orchard or hedgehog fruits.

This gives you a summer — and textures you can sink your teeth into. It is not the sort of food I would want in a heatwave, but it is quite appropriate summer is basically as cool

as smoked bacon cut into matchstick strips; 14 oz leeks cut into matchstick strips; 3 shallots, finely chopped; 4 glasses Gewürztraminer; ½ pt whipping cream; 2 oz soft butter.

In a large heavy pan, stovetop bacon gently until the fat runs. Add the leeks, cover and cook for 5-6 minutes. Remove the bacon and leeks and keep them warm. Reserve the juices for the sauce.

Butter a large ovenproof dish which will take all the fish in one layer. Season the fish and put it into the dish. Add the langoustines, sprinkle on the shallots and moisten with the wine.

Add the fishy liquid to the leek and bacon juices and hard until reduced by half. Whisk in the cream, season carefully, then whisk in the bacon and leeks.

Arrange the leeks and bacon in a little mound on each hot plate; arrange the fish and langoustines around. Spoon over the sauce. Serve at once, with fresh pasta and a good Gewürztraminer.

Philippa Davenport

*Auberge du Schœnenburg, Rue de la Piscine, Riquewihr, Tel: 03 89 92 28. Hotel Le Schœnenberg Tel: 03 89 01 11. Fax: 03 89 95 81. Hugel et Fils, Tel: 03 89 49 00 00.*

*■ Au Boeuf Rouge, 67140 Andlau, Tel: 03 89 96 26.*

*■ Jill James's stay in Alsace was organised by Vacances en Campagne de Sigray, Pulborough, West Sussex, RH20 1QD. Tel: Bookings 07397 433; Fax 07397 343.*

So come on down under to Ozbins' this Saturday

*Sip sip hooray!*

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## Sauerkraut French style

**W**E'RE YOU to me? In version only, Alsace would present a curious anomaly in France where wine, food, culture and patois — are the term reserved — are quite unlike those found in any other part of the country with the exception of the parts of Lorraine.

To get a little closer to the truth, however, you need the other half of the equation: Germany. Alsace is Germany with a touch of French polish and a few days in Alsace gives one a good idea of what, say, the Rhineland might have looked like had the French succeeded in any of their *plans* to annex Alsace.

Germany after all provides a clue to the wine: German grapes vinified with French gastronomy. The French trail and refined it with a touch of French verve, and the result of this meeting of French and German cultures is Sauerkraut French style.

That French that French does seem very thin indeed. In villages in the north and south of Colmar you can stand outside the gingerbread houses of the village with the locals babbling away in their Hochdeutsch and wonder whether the French have ever succeeded in making any inroads. Even if you go into the local inn and try the food and then, and only then, you know that you are in Germany.

Still, nine times out of ten you will find *choucroute* in the *raclette* argument until they were blue in the face that this dish is no relation to the *Sauerkraut* which is a gastronomic *klassiker* in the Vosges to the Drals; this is clearly nonsense. On the hand a good dish of *choucroute* with a dry Alsace wine, and with juniper and cumin and dished up with a mix of pork chops, bacon, *Schwartzennacke* and

monthly deliveries in the UK of excellent quality wines by the case. (Mainly Bordeaux) £3.45 per bottle. Please for further information, tastings etc. delivery details. Fax: (010 33) 46 80 23 (France). Giles MacDonogh



### Appetiser

and safely. Screwpull and foil cutter both around.

But now, after some wrangling over patents, household suppliers Brabantia can offer a corkcutter and foil cutter in one for between £8 and £9 in stores such as Debenhams, Marks and Spencer, and Co-ops. It is a boon to have the foil cutter incorporated and impossible to mislay, but Brabantia corkcutter has disadvantages: a certain

inelegance of design and, although it is easy to screw the cork off after it has been extracted, it can be all too easy to catch some of your flesh in there too.

Another, similar new Vino corkcutter from Leftfield looks rather better and, in my experience, requires less effort. It costs about £7.50 at Selfridges but you have to make your own arrangements if you want a neat line around the top of the opened capsule.

Jancis Robinson

Week six of Oddbins' free wine tastings. This time we're sampling six delicious discoveries from our latest adventure outback.

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## PERSPECTIVES

# How to beat burglar Bill

Gerald Cadogan scans a magazine that helps to recover stolen goods

**B**URGLED? YOU came down in the morning to find the silver gone? Or returned from holiday to a house stripped of furniture? The police are in the house seeking clues and listing for interview your plumber, washing machine repairer and cleaner.

When insurance company's loss adjuster asks your first question is obvious, is there any chance of getting anything back? The new answer is "yes" especially if you use Trace, a monthly magazine for retrieving stolen works of art and antiques.

In its 30-month existence Trace claims it has led to the recovery of 75m of stolen pictures, silver and furniture. The magazine consists almost entirely of stolen goods' notices inserted by loss adjusters. They hope that a dealer, auction house or police force has seen works that may be stolen — or even bagged a hauler of stolen property and will report them. Photographs or sketches accompany technical descriptions giving dimensions.

Often there is a reward. The magazine is a sobering read. A recent issue reports pictures stolen from galleries, churches, private houses, Cheltenham and an Oxford college. Clocks are large categories. And there is steady depletion of furniture. A house in Galway looks as if it lost all its Georgian chairs, chests and tables last October. Coming up in the stakes are garden statues and urns and fireplaces (55 in the last three months).

Philip Saunders, the man who founded Trace, believes that circulating information is the only way to fight a worldwide problem, for which Britain is exceedingly ill-prepared in spite of its leading role in the art and antiques trade.

There is no national register of stolen works — phased out a year ago — and thieves do not stick to police authority boundaries. Thieves are usually a regional problem, often national or international. The lead to the recovery of many stolen works recently displayed by north police came from Trace.

Trace cannot sink with Trace, which circulates to the police, trade and collectors in more than 100 countries. Villagers also subscribe, as one fence told a policeman: "I do not want to buy stolen goods." Of course not. And from its own computerised register of stolen works Trace has identified pieces that dealers have rung to query even before they have appeared in the magazine.

If you are burgled, tell the loss adjuster to get in touch with Trace. It helps recovery chances if you have accurate (trade) descriptions that include dimensions and possibly a photograph. As Saunders says, nowadays it is not just a matter of protecting your property, but having the means to recover it. So take photographs and keep the negatives. You will then avoid a scramble through the family albums for shapes that happen to include the Chippendale dining chairs or the candelabra in the unfortunate event that photographs are needed.

Trace costs £25 a year (UK), £35 (Europe) or £45 (elsewhere) from Trace Publications Ltd, 161 Citadel Road, Plymouth, Devon PL1 2HU (tel: 0752 222727; fax: 226211).

do so yourself. Inserting an advertisement quickly may prevent works reaching the continent or being put up for auction at home. A garden seat stolen from the National Trust in Warwickshire turned up at Sotheby's in Billingshurst, Sussex, but was spotted from Trace before it went under the hammer.

It helps recovery chances if you have accurate (trade) descriptions that include dimensions and possibly a photograph. As Saunders says, nowadays it is not just a matter of protecting your property, but having the means to recover it. So take photographs and keep the negatives. You will then avoid a scramble through the family albums for shapes that happen to include the Chippendale dining chairs or the candelabra in the unfortunate event that photographs are needed.



Philip Saunders, founder of Trace, in his Plymouth office

## Faraday and the spark of genius

David Fishlock pays tribute to the father of many of the modern world's inventions



Michael Faraday: the scientist on the new £20 note

**C**AN YOU imagine without electric motors to dry your hair, mix your food, pump water round the central heating system and washing machine, run the lawnmower and even your electric toothbrush? Think of living without telephones or faxes, or fluorescent ceiling lamps.

The origins of all these, and much more, can be traced to one man — Michael Faraday, born in 1791 and whose portrait has now replaced that of Shakespeare on Britain's new £20 note. He invented the dynamo that makes electricity conveniently and cheaply, as well as the electric motor to use it. He also invented vulcanisation of rubber and discovered benzene.

Faraday spent more than 50 years at the same flagstone-floored laboratory in Mayfair in London's West End. It survives at the Royal Institution of Great Britain, and Professor John Thomas, its present director, and Faraday's latest biographer says it is "the oldest continuously used chemical

research laboratory in the world."

Thomas — himself a chemist of international renown — was 14 when a teacher told him about Faraday. In later years, he was to hold the chair of chemistry at Cambridge created for Faraday in 1854. And he notes: "Einstein had a portrait of Faraday on his wall."

Faraday was hired in 1812 by Humphry Davy, the chemist known best for inventing the coal miner's lamp. Faraday was then 22 and unqualified — indeed, he was self-taught from the age of 12. His previous experience had been as an errand boy and bookbinder. He learnt no mathematics and Thomas cannot find a single differential equation in any of the 450 scientific papers he published. And yet: "They are masterpieces of lucidity, self-criticism and insight, and still serve as models for aspiring and mature scientists."

Within seven years, though, Faraday was Britain's foremost analytical chemist. One of his earliest inventions was a non-rusting steel razor, rich in platinum — the first stainless steel. The Royal Institution still has one of these.

In 1820, he read of the discovery that a wire carrying an electric current could deflect a compass needle. The following year, he showed how a wire in

carrying a current rotated round a stationary magnet. Thus was born the first electric motor.

Ten years later, Faraday made what Thomas rates as his most momentous discovery — electromagnetic induction, the notion that electricity could act over a distance to induce a current in other, unconnected wires. In 1831 he enunciated his laws of electromagnetic induction and laid the foundations of the electrical industry.

**S**HORTLY afterwards, Siemens, Edison, Whitney and Langmuir were all to draw inspiration from Faraday's laws. So were Tesla and Marconi with their radio-frequency fields. Modern telecommunications and man's knowledge of the universe derive from Far-

Over the next three years he conceived his laws of electrolysis, underpinning such modern commercial activities as extracting aluminium from its ore, and electrolytising — gilding of tableware, for example — and electroforming, later used in making gramophone records. "These laws rank among the most accurate generalisations in science," says Thomas. During the same period, he found time in

testify before a parliamentary select committee on the state of city sewers.

By 1835, Faraday was exploring plasmas — the fourth state of matter, others being solid, liquid and gaseous — and the colourful effects that he could produce with an electrical discharge through a gas. These experiments paved the way for fluorescent lamps and neon displays.

A further decade later, he linked magnetism and light and found how a magnetic field could rotate the plane of polarisation of a shaft of light — the Faraday effect, as physical chemists call it. He discovered this in a lead borate glass he had made nearly 20 years earlier in a state-sponsored quest for better glass for cameras. This was the birth of magneto-optics. Nowadays, crystals are used to manipulate light in systems that include trackers for spacecraft and liquid crystal displays for watches and pocket-sized television sets.

Faraday was a workaholic, even driving himself to exhaustion by his late 50s when he was forced to take sabatical leave from the Royal Institution (although he continued to write scientific papers). He was also a man of great personal integrity and was deeply religious. His discoveries earned him no fortune — for most of his career he remained on the same salary of £100 a year. His church preached against accumulating worldly riches, says Thomas, and he spent his leisure as a lay chaplain on charity. He died in 1867, his legacy is everywhere in

"Michael Faraday and the Royal Institution: the genius of place and time," by John Thomas. Published by Adam Hilger, £12.50.

## As they say in Europe Kohl faces the hard questions

**I**T IS Economic Summit time again and this brings back the nightmare every broadcasting journalist fears. It occurs when a presenter asks you, on air, a question which assumes as a matter of fact something that you either do not know or is not true. Last year I was hit between the eyes with: "How on the other six accept the total domination of Helmut Kohl at the summit?"

What had happened was that the New York Times, Reuters News Agency and others had produced accounts of how the German Chancellor had emerged at Houston as the giant of Europe and the arbiter of the western world. The truth was rather different: the summit for President Bush and, unlike his predecessor, he had both the capacity and the desire to listen to his peers. At the time the man who had the best滔氣 was Chancellor Kohl. He had just reunited Germany and his team won the World Cup at the summit opened.

Since then, reality has intervened. Kohl has lost a series of provincial elections, undermined the federal budget, eliminated the balance-of-payments surplus, helped wreck the Uruguay round of trade talks last December, led Germany ignominiously through the Gulf crisis and has literally had egg on his face in east Germany.

A modest mood prevails in Germany. Commenting on the meeting with Gorbachev in the Ukraine last week, the *Frankfurter Allgemeine Zeitung* wrote of the Soviet need for aid: "Germany cannot take on the burden of special costs right now. If Kohl does not want to disappoint Gorbachev he has to urge his western partners to share the burden. Kohl's debt to Gorbachev into a financial creditor. That's why the songs of friendship sound so depressed. Audiences in Paris and London are listening and reading between the lines."

In other words, Germany needs its friends more than ever. This Summit will be produce quite different stories from Houston.

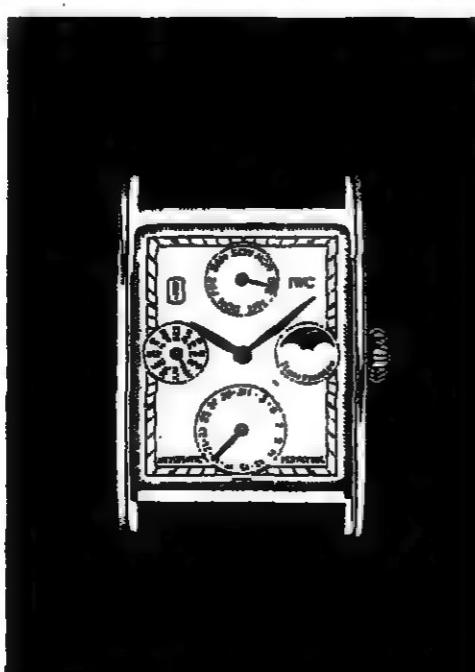
There are compensations. As the FAZ wrote: "After Wimbledon, now one more announcement of a hero: Jürgen Möller, remains economics minister, although news isn't exactly astonishing."

Möller had succeeded in getting his policy of substantial cuts in government subsidies through cabinet. But the *Neue Osnabrücker Zeitung* said: "In the billions game with the subsidies, the finance experts have created a miracle that would make a conjuror green with envy. With much self-praise, handouts worth DM10bn have ended. If a private method, the cash would pour out of his pocket."

Even if he Germany the wins at Wimbledon provided no more than a cue for sour comments, things were different elsewhere. The Paris daily *L'Humanité* went characteristically over the top in analysing felt.

**J**ames Morgan

James Morgan is Economics Correspondent of the BBC World Service.



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## Country View Counting the cost of fallow land

"IS THAT right? Young David is going in for this sit-at-home job — getting paid for doing nothing?" I overheard one village worthy inquire of another.

In some ways sit-at-home would be a more apt term than set-aside for the situation in which a farmer places himself when he obliges the government by accepting a not-ungenerous hand-out in exchange for refraining from active farming of his arable acres.

One wonders what effect this will have on the farmer himself. His bank balance may not be a worry, but how about his morale? If we paid our military to refrain from soldiering or our miners for not producing coal we would not be surprised to find them demoralised after the statutory five years period of inactivity.

What grounds have we therefore for not expecting a similar demoralisation in the morale of farmers?

Farmers could be forgiven for wondering if there was some unusual motivation in the government announcement concerning changes in the set-aside rules, declared that goats could now be grazed on set-aside land.

To sit-at-home, as the village worthy would have it, land that is steadily reverting to a wilderness is already proving a lowering experience for some arable farmers. Not so long ago they were encouraged by the same officials from the same ministry to obtain higher and higher yields. This was to be achieved by more plant breeding research and the application of still more fertilisers, insecticides, fungicides and pesticides.

Farmers with on-going dairy or livestock enterprises who have chosen set-aside for their arable land are unlikely to suffer in the same way. It is the

wholly arable farmer who is most at risk.

Of course the poppies are lovely to behold. Of course the partridges and pheasants flourish in a jungle of weeds. Of course the foxhounds find a better scent on set-aside land than on cold plough and winter wheat.

It is also nice to know that farmers are no longer involved in the ludicrous and shameful business of Community surpluses, produced by a heavily subsidised agricultural system and very often sold at a loss on world markets. But what

demands would soon become a distant memory to the politicians. To the farmers, the one-time practitioners of set-aside, there will be the aftermath to be reckoned with.

Five or more years of leaving arable land to look after it, the obligatory twice-annual cutting of plant cover, will bring problems. Anyone who has had a garden will just be ephemeral an asset is still cultivation.

Even if he can afford it, the full chemical armory of herbicides, insecticides and fungicides that is available to the farmer in the pre-set-aside era is unlikely to be permitted.

The Greens are stepping up their campaign against the use of many pesticides formerly considered safe. Their opposition to heavy applications of nitrate fertilisers is also making itself felt.

Happily, one beneficial result of set-aside is quite possible. Five or more years leaving land fallow is an ideal towards conversion from arable land to permanent grass production.

Organic farming in this country is in its infancy, but is now officially recognised, even encouraged. The public has shown a willingness to pay the necessary extra for organically produced food. Perhaps our farmers need not, after all, give up the goat option.

In these circumstances

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Michael Stourton





## PROPERTY

# Why the rich are spurning status

*John Brennan looks at some strange contradictions in the UK housing market*

**T**HE UK housing market today is one of sharp contradiction. Just look at what is happening. In a private disused warehousing next to Chelsea Old Rectory the great, the good and the party-circuit rich, gathered to view plans by Toyoko Metropolitan Company, an UK property offshoot of a private Japanese investment group.

After a decade-long absence of Kuwaiti purchase, protracted inaction, bank repossession and eventual sale, the house with one of the largest private gardens in central London now has an owner able to push through a 30,000 sq ft extension and reconstruction that will turn this long-abandoned house into a £20m+ mansion.

Toyoko displayed its confidence in the eventual saleability of such a special central London house, a quite different picture was being painted at houses at the other extreme of the price ranges.

Down the road from the Old Rectory, in more prosaic surroundings, housing economists completed a

report showing that less than half of UK households under 30 years old can afford to buy the cheapest house.

The House Builders' Federation and the Association of Local Councils calculates that 55 per cent of all new households in England need some form of social housing and that 75,000 to 100,000 extra low-cost houses would be needed each year if these first-timers were to get a home of their own.

Further across town, Sir Oliver Chesterton reflected on the estate agency world after 60 years in the business. In helping to celebrate the revival of the Chestertons name as an agency he took a verbal scalpel to estate agency hype.

In his view the professional work of estate management and the fickle nature of houses are poles apart. Far enough for Sir Oliver to consider the sale of his offices to the Prudential at the time when the Chestertons and their successors "bartered with something that didn't really matter".

As a former Woolwich chairman, Sir [redacted] enjoyed the irony

which has led to the Woolwich restoring the name of his old [redacted], which the society acquired along with the Prudential's London and south eastern agency networks. But he cautioned against talk of any early recovery in the house sales market.

He can still remember the cheers around the office in the 1980s when the sale of a house for £5,000 was the first significant deal in one-and-a-half years. He recalled years in the 1950s and 1960s when any sale was a rare treat. As for Chancellor Lamont's recent talk of a revival in the economy towards the year-end he says: "The question you should ask is when does Lamont's year start?"

Around the capital it depends where you look as to whether the news is that Lamont's promised revival is already evident, has not yet been sighted, or has been and gone.

Cheaper homes are both selling, and sticking. From Fulham to Ealington, buyers have been competing to buy smaller family houses

yards away cannot be sold even after successive price cuts.

Members of the Central London Estate Agency group (CLEA), representing the leading residential firms from Hampstead through west central London to Wimbledon and Barnes, have been recording a steady increase in the number of viewers keen to see what bargains are on offer. Sales activity is so patchy that no common trends

Historic seasonal patterns have been thrown into chaos by [redacted] weather. Viewing and sale figures grew encouragingly until the end of May then faded in June. One answer to that may be found at the travel agencies and airports.

There was a surge of last-minute holiday bookings at the end of May and Britons stopped dithering about whether they could afford a holiday and took flight. As they have been returning, the viewing figures have been rising, and agents are preparing for a new round of bargain-hunting in August.

Meanwhile, with unemployment totals rising towards a forecast 2.5m by the calendar year-end, a housing intentions survey by National Westminster Bank confirms the assumption that many would-be movers have been put off by the market because of job uncertainties.

A parallel survey by the Woolwich suggests that an even broader range of homeowners are fed up with patching and mending their homes and would love to make a move.

This pent-up demand underpins the view of Basil Bean, chief executive of the National House Building Council, that a 16 per cent rise in the number of new housing starts in the second quarter of the year, to 36,000, could be the first sign of recovery. On the other hand, employment concerns convinced Joe Dryer, Wimpey chief executive, that the year's earlier sales spurt may have petered out and that "we have seen no indication of a real upturn."

Housing sales volumes everywhere are bolstered by an unparalleled number of repossessions and forced sales. The mortgage lenders' figures for individual home repossessions give no real insight into the scale of the problem. Although repossessions were well up on last year's record 1,000 a month, they do not reflect the number of forced sales arriving at auction from residential property-owning companies or the undertow of forced sales by individual owners.

Down the scale sales are being

pushed through by owners hit by job losses or simply worn down by the pressures of meeting loan repayments and [redacted] them too little cash to live and offer no compensating promise of an early capital gain. Up the price scale, the cash calls made on the members of Lloyd's of London underwriting syndicates are beginning to have their effect with a sharp increase in the number of moderately wealthy homeowners suddenly keen to trade downmarket.

It is from the perspective of the country house market that James Laing and Anthony Cane, joint chiefs of Strutt & Parker's national estate Agency department, report what may well be the only clear, long-term trend to emerge from this otherwise cacophonous 1990s market.

Laing reports a distinctive shift in clients' attitudes to their homes since the 1980s. Quite apart from all the obvious factors affecting relative prices of properties since the late 1980s, the company notes a marked drop in the premium that

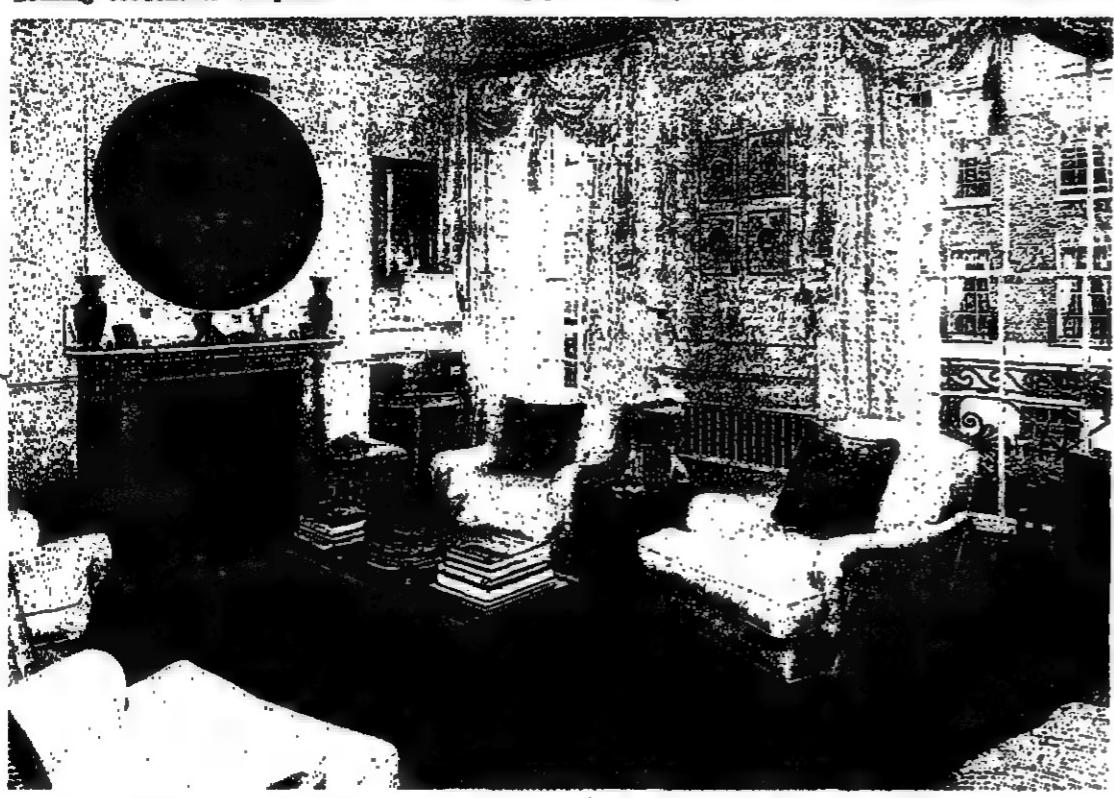
people are willing to pay for status. It explains why demand for family country properties is comparatively weak and why demand for more overtly opulent homes is flatter than at any time since the beginning of the 1980s. Laing says there is a steady interest in good, four and five-bedroom homes priced in the £250,000 to £350,000 range, depending on their condition and location.

That is in the classic shires rectory and small mansion property sector that draws buyers from town to country. In the country, as in any other sector of existing housing, each successive price layer develops on a steady cycle of people trading up. Throughout the 1980s the market for the next price layer of homes above those comfortable family-scale properties – the £240,000–£275,000 bigger country properties – was well-supported by rectory owners borrowing their way into the local manor, and manor owners making the break-up market to acquire a mini-estate.

According to Laing, that pressure to trade up has disappeared. Owners with accommodation enough for their needs do not feel the need to acquire a grand facade. What is now posing an additional problem for valuers reviewing the prices of properties in the middle and upper price ranges, is the new enthusiasm among the owners of larger houses to cut their costs by trading down.

These pressures have combined to throw a mass of the best country houses on to the market at the same time. The impact on prices is such that, in James Laing's view, many of the houses and estates that would have sold in competition for £15m or more two years ago may be hard to place even with prices paid of a third or more.

Much the same applies down the scale until you reach the more modestly priced homes that have become the focus of interest for people trading up, across, and increasingly also down market. This shift in interest, from status to a more prosaic view of value and accommodation, is unlikely to be limited to the country house market.



As house sales hiccup through a period of radical change, rentals continue on their comparatively steady way. W A Ellis (071-588-3536) offers this complete four-bedroom family house and garden in Eaton Square, SW1, has been reduced from £2,500 to £2,300 a week for a long letting.



Sir Dennis and Lady Thatcher's no-longer-needed retirement home, the five-bedroom neo-georgian Barratt house, near Dulwich and Sydenham Golf Course, is on now the market. Keith Cardale Groves (tel: 071-495-2495) has set a guide price of £575,000 for the [redacted] and is vetting viewers to eliminate the inevitable tourists.

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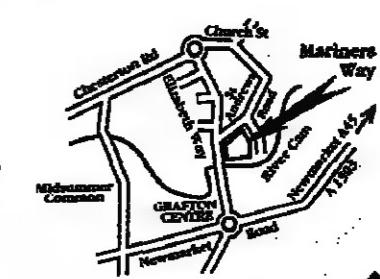
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## PERSPECTIVES

# Galley slaves sample life before the mast

Ian Fraser survives half a gale and the threat of shipwreck aboard a replica of a 16th century Hebridean galley

**L**IKE MANY ideas, it seemed good at the time: to build a replica of a 16th century Hebridean galley and sail from County Mayo in Ireland to Stornoway in the western isles of Scotland. But as we rounded Malin Head, the most northerly point in Ireland, in a gale, the crew became apprehensive.

The last time a 16-cared galley, to give its Gaelic name, had sailed this stretch of water was 500 years ago, so we had no idea how our replica would behave. For company we had only a local fishing boat and a colony of kittiwakes.

Our mast had been broken by a garter wind the previous week and we did not rate its chances. We had no firm guarantee that our 16-cared galley would not capsize in the heavy swell. But *Aileach* showed herself to be of stern stuff. With experienced racing skipper Andrew Macdonald at the tiller she pulled through, hardly shelling water in a series of low gunnels, climbing each crest and ploughing into the troughs without so much as a shudder.

Having averaged six knots from Ballybofisker, we squared off the yardarm on round Malin Head. With the wind behind us and twin spars holding the base of the emblazoned square sail out to either side, it was not long before we were surging forward at 10 knots. Running before the wind, we discovered that our archaic rigging was more efficient than the fore-and-aft type that is almost universally favoured nowadays.

Named after a fourth century Scottish princess, *Aileach* is 40 ft long and 10 ft wide, made of flexible larch planking on oak frames, and has carved Celtic figureheads at both prow and stern. Apart from one or two refinements (a hinged rudder and riveted planking) she bears a striking resemblance to a Viking longship.

The building of galleys stopped in 1606, when James VI ended naval supremacy of the Lords of the Isles. So Ronald Macdonald and Wallace Clark decided at the clan gathering 12 years ago to build a replica they had little to go on. They relied on computer analyses of medieval carvings to achieve a reasonably accurate picture of boats. The sought guidance from Dr

Michael Jarvis of Glasgow University, and they raised £25,000 from private corporate sponsors.

*Aileach* was designed by Colin Mudie, who has produced boats for Tim Severin, the oceanic explorer.

The speed and agility of the galleys said to have enabled Scots to drive the Vikings from west Highland waters in the 13th century, in the Middle Ages ownership of the galleys gave the Macdonald Lords of the Isles supremacy over a 25,000 sq mile area from the Butt of Lewis to Ulster. The galleys, with their shallow draft, were ideally suited to the narrow Kyles and Shetlands of the Highlands.

But for the modern sailor,

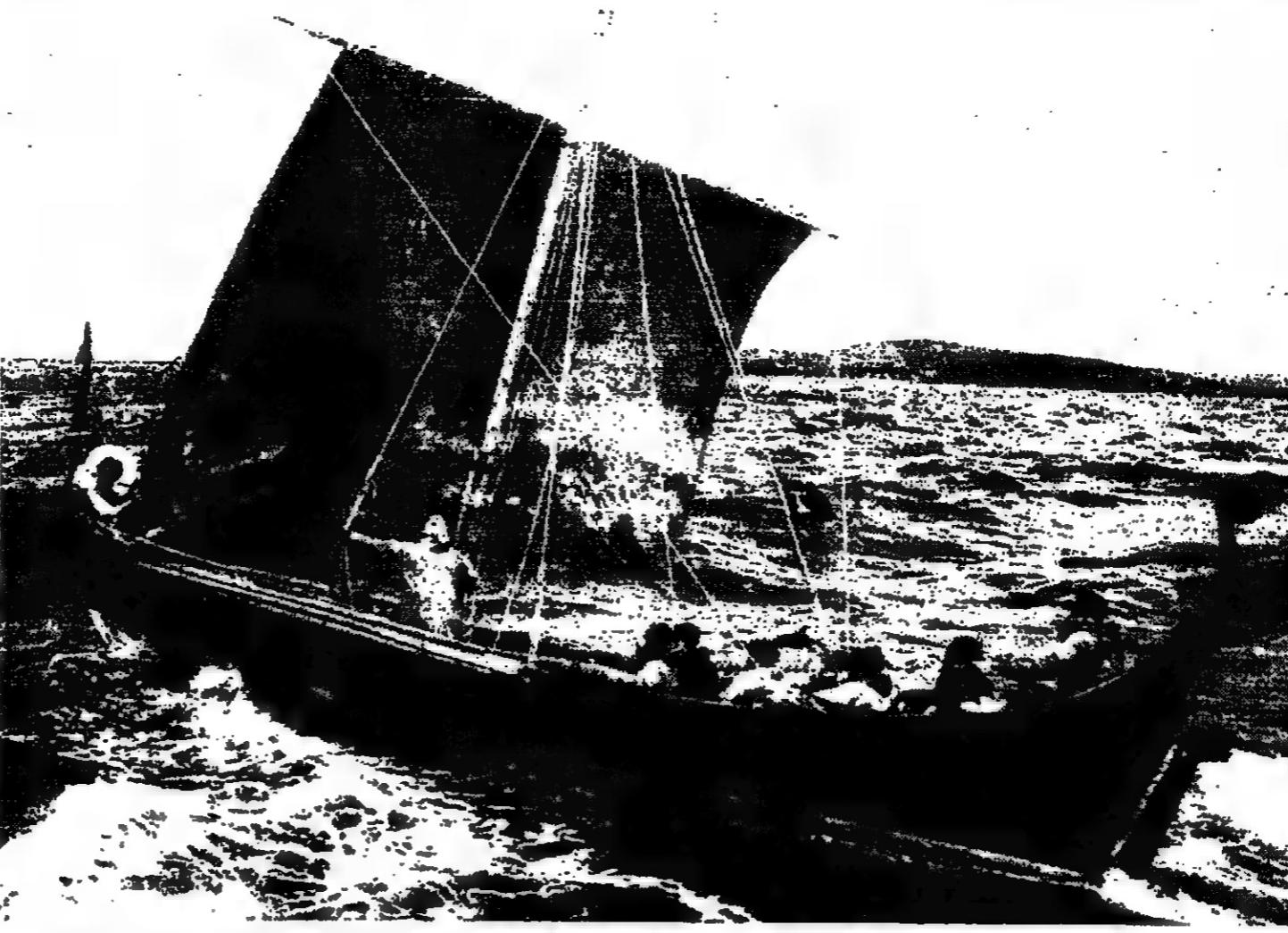
nothing became obvious trying to sail into the wind was a waste of time. Whenever the wind turned against us (which seemed to happen fairly during the six-week voyage) we had to resort to the oars. We worked in shifts of eight, with each pair of oarsmen putting their backs into it for about half an hour. It was thirsty work, and keeping time required concentration.

Anyone could expect a tickling off from Mark Richards, the rowing master. He had performed the role on the now famous Jason voyage in 1984, and his cries of "keep in time" were less melodic than the rowing songs or "loram" favoured by the early crews, but perhaps no less effective. On the rare occasions we managed to pull in unison in a flat calm, we reached about 3½ knots, but much slower in a strong wind or a choppy sea.

As soon as the wind turned in our favour, we slipped the 14 ft oars and hoisted our 350 sq ft mainsail relying on brute force to get the wooden yardarm and heavy canvas aloft. Then we trimmed sheets and braces by hand.

The aim of this experiment in archaeology was to discover how a vessel like this would perform in different types of sea, under both sail and oar. It was also to rekindle between the Irish and the Scots. Until the 16th century, galleys regularly plied between Ireland and the Hebrides acting as the "shuttle in the loom" of Macdonald's far-flung kingdom.

Although kitted out with VHF



Made of storm stuff: the 12-man crew of *Aileach* off the northern Irish coast

radio and liferaft, the *Aileach* was essentially a medieval vessel. Living conditions were cramped and primitive, and the only shelter was a rudimentary canvas awning that could be stretched across both gunwales like a sunshade - and could not be used at sea.

The 12 of us on board each had a permanent rowing bench with a small amount of stowage space underneath. Kevin O'Leary, cook, constantly surprised us by producing culinary masterpieces from an erratic gas burner.

In spite of the boat's historical Ulster.

BUT the day turned out very differently for us. We set sail early from Rathlin Island but a savage squall tore across the surface of the sea as we pulled out from Tor Head, leaving streaks of spray, foam and spray drift in its wake. *Aileach* slewed violently to starboard, and for a terrible moment it seemed that she was about to capsize.

The brawniest Highland seafarer would have been unable to row into the teeth of that gale, so we lashed our inflatable dinghy to the side

and powered ourselves towards the safety of the shore with its 30hp Yamaha outboard. I spent an age sitting on the bows of the dinghy amid surges of spray to prevent it from flipping over, while Mark, the rowing master, struggled to haul *Aileach*'s helm while the rest of the crew cowered for protection in her bows.

Even at full throttle, we barely

reached haven in the Glendun estuary and, soaked through, were welcomed into an old folks' home for tea and scones. Without the engine, we would certainly have been swept against the rocks of Kinbane, 15 miles away on the other side of the Irish Sea.

Many of the original galleys were less fortunate. In 1602, a fleet of Hebridean galleys loaded with treasure was driven off the northern Irish coast into a storm by the English navy and 140 Scots perished. In 1670, Iain Garbh of Raasay drowned in the Minch along with the rest of his crew, after over-indulging at a christening feast in Lewis.

We had barely recovered from our ordeal when we were due to make our next appearance, at the Bunnahabhain Distillery on Islay. Again we had to break with tradition and were towed most of the way across the Irish Sea by a passenger ferry that usually plies between Rathlin Island and Ballycastle.

This time it was merely the wind was against us. The purists among us felt this intrusion of the 20th century made a mockery of what was otherwise a determinedly medieval voyage. But others argued that we were making an important rendezvous with one of our sponsors if we had attempted to row across.

In two minds, I left *Aileach* on Islay. She was due to sail on to Colonsay, Iona, Eigg and Skye before ending her six week voyage at Stornoway, on the Isle of Lewis last week.

It was an appropriate finishing point for the voyage. It was in Stornoway that Black Donald, the last serious claimant to the title of Lord of the Isles, was cornered by the Stewart King James IV while taking refuge with some MacLeods.

The *Aileach* is due to take part in a river race on the Thames in early September and will then be exhibited at the Earls Court Boat Show, London, in January next year. After that she is expected to become a tourist attraction somewhere in the Highlands, although her resting place has yet to be decided.

In a twist of fate reminiscent of the clan feuds that followed the collapse of the Lordship of the Isles, several clans are fighting over "heritage rights" is more worthy of her.

## GARDENING

## Lesser lights that repay attention

Arthur Hellyer on colourful but unfamiliar flowers

**J**ULY IS a good month for hardy herbaceous perennials. Daisy flowers are at a peak as are helianthus, solid providers of colour, graceful but excellent value for money and plants that one can scarcely do without.

The perennial sunflowers, helianthus and rudbeckias add their mainly golden colour and the erigerons and early asters complement them with which comes from such plants as *Salvia nemorosa* and its varieties, the common catmint or *Nepeta* and the extra large variety "Hills Giant" are good campanulas including the 5ft to 6ft high *C. lactiflora*, the shapely but *C. latifolia* and 18-inch *C. glomerata* which has an extra deep violet purple variety named Daburia.

But it is of other, less familiar flowers that I want to write today, the asteroemeras, and some of the very beautiful eryngiums or sea hollies. With me, *Astroemeria aurantiaca* is a beautiful nuisance, a plant that when it gets where it is not wanted and can rapidly smother all the legitimate occupants of the soil. The flowers are orange yellow or a full and lusty orange in a good variety such as Dover Orange.

The excellent *The Plant Finder* (Headman £9.99), so good at keeping us up to date on names, reminds me that *aurantiaca* is no longer valid and this plant must now be called *aurea*, which means golden. I find this sad since *aurantiaca* means orange.



ING of the plant's beautiful flowers. It is only suitable outdoors for very warm and favoured places. It is a collector's plant for the colouring is sober rather than exciting and the comparison with a parrot is exaggerated. I struggled with it but am not very successful any more than I am with the *Astroemeria*. Hybrids which are now appearing in garden centres in ever increasing numbers. These came from an accidental cross which occurred at Borte Hill Garden, Sussex, during the 1940s and was assumed to be a cross between *A. aurantiaca* and *A. violacea*, both of which are growing in the garden.

The hybrid was called Waller Fleming and had light,

orange-yellow flowers with black rays. A large, well-formed flower born in wide branching sprays, it is said to be sterile but this is true or not it is the fore-runner of an ever-growing range of hybrids which, until recently, have been virtually confined to the *Astroemeria* trade. Now that they are becoming available in retail outlets they must be evaluated as garden plants and I have to report that my early experience with them is rather disappointing. I find them hard to get established and quick to deteriorate in vigour. I will be interested to know how others are faring.

However, with *A. ligustrina* there are no problems other than at the outset when it seems best to start with fairly young seedlings in pots from which they can be planted without disturbance. They need sunshine and good drainage, but are undisturbed and they produce a delightful range of colours from pink to orange. This is a plant that gets very untidy after flowering, so it soon dies down and can be cleared away.

Eryngiums are the sea hollies. The best of the lot I take to be *Eryngium alpinum*, a plant with large, tassel-like flowers with metallic-blue stems and big flower cones surrounded by very large, frilly bracts of a lighter shade of the same colour. It is a beautiful plant that lasts a long time in flower. In complete contrast to this is *E. tripartitum*, a sea holly with big, widely-branched sprays of small, blue flowers excellent for cutting and long-lasting. *E. giganteum* is more like *alpinum* in size and flower form but the colour is totally different, light grey-green leaves and nearly white flower heads and bracts. The plant usually dies after flowering so must be treated as a biennial and reproduced annually from seed in May or June.

There are also several fine garden hybrids which tend to split into two groups, one with the large flowers of *alpinum* and the other with the small flowers of *tripartitum*, all perennials and all worth growing if you can find them in nurseries. This is becoming increasingly easy with the growth of small nurseries specialising in the more unfamiliar plants and relying mainly on enthusiasts in search of rarity.

**S**INCE 1990, there has been a new follow-up to *Flower Power*. Today and tomorrow, it is running flat out at Hampton Court, London, beginning at 10 am. It is on the grand scale and already ranks as a huge success.

I congratulate the organisers and hope that their event is now firmly part of the English summer. Nearly 200 entries have been drawn in, after last year's happy

doings. The marques are packed with flowers there are masses of things you never knew you wanted; personalities from the media are all over the place, and there is even a photographic exhibition of famous names, past and present.

Less, what is less, what is less, in July are priceless, is it worth a visit? If you go, with two evenings and a clear sense of objective, even the keenest gardener will find it worthwhile.

The mornings are fundamental to the outcome. Do not go anywhere near the place in a car and do not reckon to eat on the premises. The traffic jams are appallingly bad across all the approach roads and the park takes back through acres of harvest fields and meadows. The catering stands are only slightly less jammed than the approach roads: the results are not worth a queue.

Instead, you need a picnic and a rail ticket; the sponsors are Network South East. If you cannot cope with the spirit of a major flower show, you can always have the picnic by the great expanse of water at Hampton Court Palace. Train leave from Waterloo at frequent intervals.

A rail ticket return entitles you to a reduction on the entry fee, down from £10 to £5. What are you going to do, beyond the turnstile? You can look at the Agri-frame arches for your climbers, wonder what *Pyrethrum* pyramids for your trainee bushes are, or have an exhibition of *Koi* carp. You can probably dodge the media and try your skill at designing a garden for the blind: you can ask experts from Hilliers about the problems of beginning to garden.

One of the problems is that Hilliers' own retail shrubs are expensive. Personally, I always buy garden sundries. I feel more than just a passing interest in the outdoor gardens, which struck me as even beneath the *Flower Power* standard.

For gardeners, the living heart of the show is inside the main marquee where there is room to move and breathe.

There is no point in comparing it with the overwhelming richness of the Main Tent at Chelsea. The exhibition at Hampton Court is aiming for a different effect and usually have had gone for weeks of the same grand style.



The secret garden at Hampton Court Flower Show designed by 11-year-old Katie Tomlinson

## Chelsea's budding rival

they have one huge advantage, which makes the rail-ticket, crowds, and all the worth while: they are more loads of fun on the spot.

At Chelsea, there is a future for delivery and, by the time the plants you have forgotten why you wanted them at Hampton Court, you can walk off with them at prices ranging from £1.20 for an *Agave* diameter to £4.75 for one of the newer *Lavatera*, which still need weeding from cuttings.

Impulse-buying is always fun, but here it is almost perfect. The exhibitors are not just the big, repetitive firms: smaller nurseries put the best in their catalogues on show. I think that I have left you with enough to buy, but I also left myself with a car-boot full enough for a sale of my own in the car park.

In midsummer, gardeners begin to see what gardeners need. At Hampton Court, I bought it from clematis to half-hardy forms of *mimulus*. I also found dozens of things that had been missed in me in mail-order lists and were now up for grabs.

Last year, some of the nurseries sold me, they within two days. Some of them took between £3,000 and £4,000 of the public, which is not bad, in three days at the *Plant Finder*.

also a mass of unusual knowledge.

Perhaps you already grow the prostate *Pratinus* County Park? Perhaps you have seen two of the latest day-flowered *Osteospermum* from Belgium, which are completely hardy? Perhaps your Red Hot Pokers are fashionably green-white in the variety called *Ice Queen*? Perhaps you can distinguish all the forms of *Tree Mallow*, which are now so popular, and tell a Barnsley from an *Ice Cool* and a *Candy Floss* and *Iceberg*? Perhaps you are all summer from Devon, its change of telephone to 0822-810275 has been deceiving me all summer from last year's *Plant Finder*.

On the front of its stand is a sensational *Lily-of-the-Valley*,

the leaves of which are striped with lovely variegation in cream-yellow. It out-classes the other variegated forms, which are rare enough themselves.

It derives from an aristocratic gardener's plant which was passed to a great Polish propagator, Victor Pawlowski, in Devon. He died this January, but about 30 plants were found in his collection and

Rowden Gardens, a connoisseur's nursery.

Although I mistrust most novelties, the colour in this plant's leaf does really look to be a winner. It commemorates a propagator who was himself a gardener with a genius.

If you gave him a packet of the nursery-owner told me, he would turn it within weeks into a pine forest. The Hampton Court show did not exactly begin a small packet of matches last year, but it, too, has fired more people to participate and started to grow mightily. It has plants for all tastes and levels of knowledge. Try the train and treat it as an exercise in competitive shopping: like me, you should then have a rare old time.

## GARDENING

An Imaginative Garden Designer  
very sensitive to the individual needs of his clients, his portfolio includes commissions to City Centre Courtyards, First World Cup, Euro 92, Euro 96, Euro 2000, Euro 2004, Euro 2008, Euro 2012, Euro 2016, Euro 2020, Euro 2024, Euro 2028, Euro 2032, Euro 2036, Euro 2040, Euro 2044, Euro 2048, Euro 2052, Euro 2056, Euro 2060, Euro 2064, Euro 2068, Euro 2072, Euro 2076, Euro 2080, Euro 2084, Euro 2088, Euro 2092, Euro 2096, Euro 2100, Euro 2104, Euro 2108, Euro 2112, Euro 2116, Euro 2120, Euro 2124, Euro 2128, Euro 2132, Euro 2136, Euro 2140, Euro 2144, Euro 2148, Euro 2152, Euro 2156, Euro 2160, Euro 2164, Euro 2168, Euro 2172, Euro 2176, Euro 2180, Euro 2184, Euro 2188, Euro 2192, Euro 2196, Euro 2200, Euro 2204, Euro 2208, Euro 2212, Euro 2216, Euro 2220, Euro 2224, Euro 2228, Euro 2232, Euro 2236, Euro 2240, Euro 2244, Euro 2248, Euro 2252, Euro 2256, Euro 2260, Euro 2264, Euro 2268, Euro 2272, Euro 2276, Euro 2280, Euro 2284, Euro 2288, Euro 2292, Euro 2296, Euro 2300, Euro 2304, Euro 2308, Euro 2312, Euro 2316, Euro 2320, Euro 2324, Euro 2328, Euro 2332, Euro 2336, Euro 2340, Euro 2344, Euro 2348, Euro 2352, Euro 2356, Euro 2360, Euro 2364, Euro 2368, Euro 2372, Euro 2376, Euro 2380, Euro 2384, Euro 2388, Euro 2392, Euro 2396, Euro 2400, Euro 2404, Euro 2408, Euro 2412, Euro 2416, Euro 2420, Euro 2424, Euro 2428, Euro 243

## BOOKS

# A life of blood, sweat and tears

**Michael Thompson-Noel hails a new biography of Australian writer Patrick White**

**I**N LATE 1945 Patrick White began the final draft of *Riders in the Chariot*, following his annual routine of going to bed after dinner and then getting up again to work on small hours which he found "the best for writing letters and cooking, also for revising, though not creating novels; first thing in the morning is best, I find, for that."

His habit was to write three drafts of each novel. The first was impressionistic, private, painful and messy. In these months he found himself at loggerheads with everyone and everything. He drank for the "fashes," using alcohol to cut the knots in the writing. He wrote with a fountain pen — later a typewriter — in a clear hand on lined foolscap paper. He only ever abandoned a novel towards the end of the first draft. Occasionally he spent weeks wrestling with a single phrase.

Second drafts were a pleasure of engineering. He spoke of them as "overwinding." They could make him feel "quite godlike," the right words slipping into his head and shapes forming out of chaos.

The final draft was typed on a portable Olivetti — two fingers, single spacing, very narrow margins on the filmiest of paper which drove his publishers to distraction (White was worried about the cost of stamps). Before starting on the final draft, White re-read the second, shocking himself, sometimes, at the slovenliness of a bit of writing, wondering whether he had clarified the obscurities without creating new ones.

As usual, he worked quickly on the final draft of *Riders in the Chariot*, though there was the usual crisis of confidence towards the end. Would any-

**PATRICK WHITE: A LIFE**  
by David Marr  
Cape £20, 347

On January 11, 1945, White's friend, Manoly Lascaris, drove the great man into Sydney where he posted one carbon to New York, another to London.

"The parcels crashed down into the bowels of the GPO," said White later, "making me feel they had probably burst open."

In a book of 727 pages, the labours of thewright *Riders* occupy only a tiny fraction of the whole, but they illustrate how beautifully Marr has succeeded in his aim of finding out what made Patrick White a writer, and where his writing came from — to produce not only an account of White's experiences but to identify the misperceptions, misconceptions, thoughts, and stories heard on which he drew to write his novels, plays and poetry.

This is a first-rate biography.

White is perhaps the greatest writer about whom least is known, yet here it all is — his odd childhood among a family of rich Hunter Valley expatriate schoolboys.

White never had

one speaking a private language? ... throw it away?"

"Yet in the final moments," writes David Marr in this exemplary biography, "as those doubts gathered, he was entirely swept up in the writing. As Alf Dubro died of TB, having at last painted his image of the chariot blazing across the sky, White found himself coughing blood. He wept as he finished, and that was always an omen of success."

Cambridge, jackerooing on the edge of the Snowy mountains, play-writing in wartime London, travels, love affairs, rages, bust-ups, novel after novel, the Nobel prize.

Crucially, Marr had White's full co-operation throughout the six (sometimes difficult) years the book took. White had no veto over the text but had agreed to read it for errors, of which he turned up a couple of dozen. These were corrected. Otherwise, he did not ask Marr to cut or change a single word.

White confessed to Marr that he found the book so painful ("What a shit I was, the way I treated my lovers") that he found himself reading through tears. A short while later — September 30 1980 — White was dead. His lungs had packed up, though to the end he remained curious, demanding, tart, funny.

To say that Marr enjoyed White's full co-operation in producing this rich and satisfying biography conveys only a glimmer of its industry and insights, for Marr is a hero in his own right: prodigiously hard-working, scrupulously fair — above all, forever catching echoes of White's bizarre life in the gloriousness of the novels.

For example: a cousin of White's father lived in a house called Mittahab and had a wife, Ivy whom a boy found terrifying. He thought her name was V.

Her name was V. He kept the name in mind, revenging himself more than 30 years later (Voss was published in 1987) on the "Brunhilda who had left the Ring and joined the Salvation Army, taking with her, however, plenty of Wagnerian sex and hysteria."

White never had



about his homosexuality, though his initial response was loathing and self-disgust. Beyond repugnance and pain, though, he grew to accept and take pride in his feminine sensibility and to attribute much of his insight as a writer to his understanding of the male-and-female nature conferred on him.

The dark side of this was the suspicion that he cut an incongruous figure, out of kilter and out of place. "Within him," writes Marr, "was a jumble of fragments shifting like glass in a kaleidoscope." Luckily, he could escape into his characters, could "play at being a dancer, psychopath, painter, servant, nun, explorer, grazier,

whore and soignée woman of society." Not surprisingly, he formed the bleak conviction that character is largely a calculus of faults, deceit, pretence.

Thanks to Marr, we can see how Patrick White's great novels sprang forth, almost like flowing blood. Our debt is large.

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of thought and insight. T.S. Eliot's characterisation of John Donne — that a thought to him was as immediate as a rose — is true of this artist. Incongruous subjects are jumbled together because to Tarkovsky they were never incongruous.

A wife's illness, a dream,

or a financial crisis: when a mind spins at a certain speed, the garments all become one colourful swirl. On one single day in August 1970 he writes: "Andriuski [Tarkovsky's son] has gorged himself and is fast asleep. He's a clever boy, doesn't cry and so peaceful. The house in the country must be re-roofed; and repaired generally. Re-reading Thomas Mann. He's a genius! Death in Venice is astounding! Despite the ridiculous plot."

The diaries reveal the man

in other, more human ways. They indicate the hothouse conditions he required for his self-esteem. Whenever he reports a lecture he has given, Tarkovsky audiously transcribes the panegyrics from the audience that follow. He lists all the film festival prizes he ever won. And the book contains no more bizarre leitmotif than his attempt to trace a published Ingmar Bergman interview in which the Swedish director calls him the best contemporary director. With a whoop of triumph he finally discovers it in *Playboy*.

All this from a man whose

life is a chaotic muddle of

thought and insight. T.S.

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## ARTS

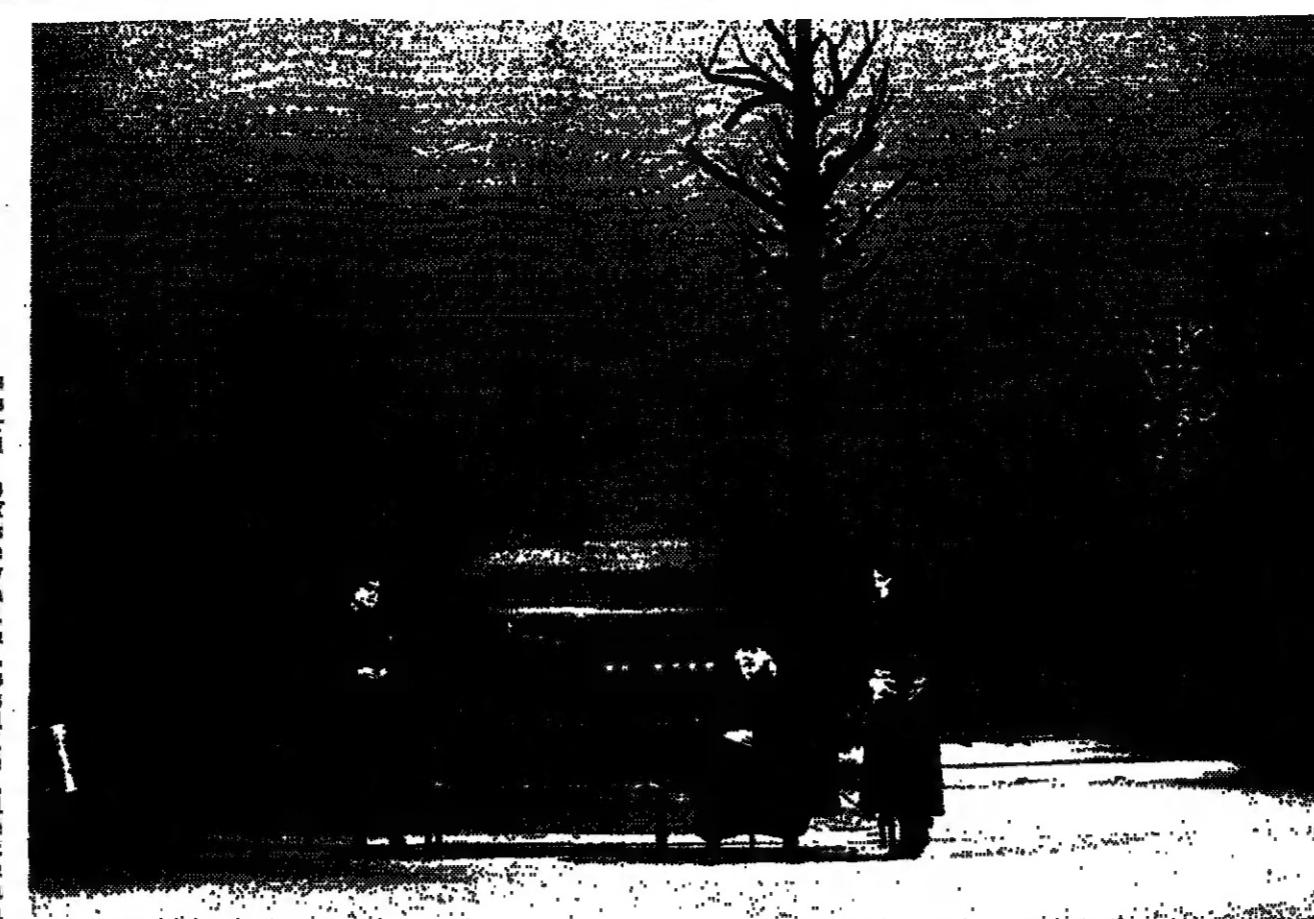
# New life for classic drama

*Jackie Wullschlager visits the World Theatre Festival in Essen*

**S**UMMER IS icumen in sun-drenched cities across Europe are hosting international theatre festivals before Edinburgh, we have life at home, Avignon in the south, and now the northern challenge from Germany's Festival of World Theatre (to July 14).

This is a roving biennial festival which each time takes on something of the character of its venue as well as dazzling with international life. In its sixth incarnation, the festival penetrates deep into the former steel town of Essen, both literally - shown in a disused colliery and in the Villa Hugo, where the steel family Krupp used to entertain kings and kaisers - and as agent of cultural renewal. With the accent on innovative theatre forms, there is dancing in the streets, cabaret in an all-night tent, open-air American political satire in *Bread and Puppet*, with home-baked bread to take away as a souvenir.

But the shockers in Essen are not the new plays but the classics, the Aeschylus and Schiller and Shakespeare which have been culturally uprooted to be set down again as slick finely honed international products offering a new way into the heart of age-old drama. Last night, *Daison Erotica* opened with *A Man named Macbeth* transported to the Japanese mafia in a space age setting. From Brazil, Denise Stocklos casts herself in a one-woman restudie of *Mary Stuart*. Never changing costume, Ms Stocklos ranges out, concise and controlled Elizabethan breaks into throaty emotional Mary tangos to Latin, punky and seductive in



Scene from 'Heldenplatz' by Thomas Bernhard: Claus Peymann's wonderful set recalls the Vienna of 'The Third Man'

moment.

It is Aeschylean grandeur as public spectacle, yet at the same time, figures that seem half gods on the page are human sized, vulnerability emerging out of mass energy. Orestes (Simon Abkarian) behind his father's tomb, peer through eyes, tense features and crouched body speaking confusion and desperation; or Electra, kneeling forestage, palms opened to the audience, beginning advice. Box office enthusiasm having got the better of arithmetic, I stood for two hours during Chophouse, held throughout by Mounchkin's relentless, raw-edged, splendid retelling. Her German tour continues at the Berliner Festwochen in September.

Claus Peymann's set,

applauded on sight, is everyman's image of *genitlichkeit* but stiffs Vienna: the tall, narrow apartment with its mash-up panels, then the Volksgarten - a tree-lined avenue at dusk, a single gaslight casting shadows on the icy lawn while figures in mourning stroll up and down. Both scenes recall the Vienna of *The Third Man*, and Bernhard's theme too is the corruption behind the smooth-running show. The regurgitated lines of the dead professor - "worse than 1938" "a town of Catholic Nazis", "I'm against almost everything but I refuse to protest against anything" - mark him as a typical Bernhard visionary, a mad anarchist who sees the truth which kills him.

In the novel, Bernhard's neutral tone can fall like lead, but Peymann's attention to the simple staccato prose poetry brings a wealth of character observation and wry emotion. Anneliese Römer's Frau Zittel, for example, on stage alone for 100 minutes with nothing to do but iron her dead master's 22 unworn suits, manages to move, alarm and amuse with a bravura display of close-up detail: voice faltering-screaming-wounded, gait steady-clumsy-hurried, expression staring-scornful-careless. Peymann fills out every character with the same obsessive exactitude and intense concentration which fixes the mood of a whole city and people. At times the very theatre seems suffocating nihilism plumed down to a tangible reality.

## Irish sounds

**A**LL TOO rarely the McGarrigle sisters, Kate and Anna, stop being miserable in their native Montreal and bring their plaintive little songs to the UK. They flew over for a brief exposure on Wednesday in the season of Irish music that the Chieftains have orchestrated in London this week.

There was nothing incongruous about their appearance on the bill at the Royal Festival Hall. The Chieftains are a weird enough band in themselves, their leader, the pixie Paddy Moloney playing the pipes, whistle and the leprechaun to his fellow musicians, who dress like Dublin solicitors of the old school while behaving like harmless lunatics, as they belt out reels and laments and old film scores.

As for the other guests, Moloney had invited a young Dutch flautist who had dressed for a 1970s Hunt Ball; a high-kicking Irish dancer from Long Island; and a mix from the Aer Lingus band. And just when you thought things could not get odder Sir Malcolm Arnold appeared on piano for the final hooley.

If this was all too exciting the McGarrigles can be guaranteed to calm you down. Their perky songs, like "Kiss and say good bye" are about fleeting love; their sad songs are about lost love. Kate's latest tells of a woman whose hair is going grey (her hair is going grey), eating up cold mashed potato with an elderly dog (she has an elderly dog), now that her partner has gone. Sister Anna fretted around the stage like a worried society hostess. But when they harmonise on "Mendocino", their lament for a lost Californian paradise, make the most beautiful, enchanted sound on earth.

The McGarrigles had

brought their hand with them, which was hardly necessary, since they switch from accordion to piano to guitar with mournful resignation. What is needed is a quick return here and a longer set. It is not all heartache. For light relief they throw in joky French-Canadian folk songs and a spot-on Cajun number "Speak to me of drink, not of marriage".

The Chieftains returned for an extended version of "Drowsy Maggie" where they are each encouraged to go to the top. It was a refreshingly innocent, old fashioned entertainment, long on charm if short on sense. It projected just the kind of image that Ireland is famed for.

*Antony Thorncroft*

## Hands down Seagull

**T**HE ROYAL Shakespeare Company's production of *The Seagull* at the Barbican is so bad that one wonders why the cast did not call it off in the middle. It was being said at the interval on the first night that something had gone wrong between Stratford, where it was launched to some acclaim last autumn, and London. The excuse was that it turned out not to fit the larger Barbican stage. Yet surely not enough. Someone must have foreseen that the production was heading for disaster during rehearsals. It might at least have been adapted to the greater space.

It might also have been speeded up. The best thing to do now, if the run is to continue, would be to play it on tape and let the cast and the director, Terry Hands, listen to how tedious it is. The pauses are even longer than those of Harold Pinter at his worst, and without the jokes. The second half is even slower than the first.

I must confess that I never thought much of *The Seagull* in the first place. Nothing much happens, nobody says anything of interest and all one does is wait for the inevitable suicide, by which time the play is over. Yet if you want to make something of it, you must play it partly as a comedy. The RSC's production is melodrama at a funeral service.

Terry Hands and his cast commit an elementary error. A play about boredom, which is what *The Seagull* essentially is, must not be allowed to bore the audience. The word "boredom" and variants on it are repeated almost as often as the word "bonking" in the production of *Sex Please*,



Susan Fleetwood as Madame Arkadina

We're *Italian!* at the Young Vic. The production is designed to ram it home. The set is boring: a few spindly trees, then a sort of conservatory in the second half which serves no purpose whatsoever except perhaps to fill up the stage. You might at least expect to see something through it - a glimpse of the suicide or just anything interesting in the background - but you don't. The costumes are boring: practically all beige and fawn throughout. The only moment of the theatre in general not getting any better, but the average actor becoming more competent. Surely some member of the cast must have noticed the irony: the second part of that statement is totally untrue of this production. All of which is a great pity because, apart from this monumental lapse, the RSC is enjoying an excellent Barbican season, mostly with the players who here so fall from grace.

*Malcolm Rutherford*

humoured chamber piece with a dramatic "programme" (in each movement there is a different instrumental imitation of speaking voices), and the 1927 Oboe Quintet, which tends to ramble euphoniously.

Another valuable function of the series has been to remind us not only of the character and quality of Bliss's early music, but to recall how much effort he expended on that of others. This point was made by performances of the contemporary Stravinsky, Ravel, Busoni and most vigorously in Thursday's marvellous concert reading of Gustav Holst's chamber opera *Savitri* (Bliss conducted its first public performances, in 1921). The fact that it is a star, more startlingly innovative piece than anything Bliss himself ever wrote only underlines his generosity in promoting it.

*Max Loppert*

## Enfant terrible to Establishment

and the wonderfully beautiful Rhapsody (1921), in which the splendour of the cromos and tenor soloists are treated on equal terms with those of the seven instrumentalists.

It was works of this kind - and the fuss they caused - that led to Bliss's being labelled an avant-gardist of his day. Such a categorisation soon had to be revised. For he was a man of wide musical sympathies, excellent craftsmanship, an admirably international outlook, great energy and bonhomie; but he was never a modernist, and never (I don't believe) a powerfully original musical voice.

In the last decade the Nash have made Bliss in this vein completely their own. They also offered the 1920 quintet subtitled *Conversations*, a good-

THE ROYAL OPERA

## Puccini THE GIRL OF THE GOLDEN WEST *La fanciulla del West*

*A SURE FIRE BANG-ON HIT*  
THE GUARDIAN

17-19-22 ROYAL BOX OFFICE:  
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IN 1991 there are, of course, other musical centenaries than only Mozart's - the big one - or Prokofiev's. Arthur Bliss's, for instance: Master of the Queen's Music from 1953 until his death 15 years ago, he was born in August 1891. Though he is not being widely remembered (in the opening weekend of the Proms there is the 1938 Piano Concerto), a series of three Nash Ensemble concerts on South Bank - two this past week, the third tomorrow evening - have been devised to recall him with both affection and purpose.

Bliss began his creative life as (in the words of the *New Grove*) "an enfant terrible of English music" and ended it as figurehead of the musical Establishment. (Maybe it is for this reason that his final reputation has yet to "settle") inevitably, the Nash series focused on the earlier Bliss, inventor of such varied and delightful voice-and-chamber ensemble combinations as the "witchery song" *Madam, My Noy* (1918), the nonsense-syllabic *Rouz* (1923),

Chess No 881:  
White wins by 1.g6 gxf3 2.Kg2 Kg5 3.a4 bxa3 4.b2  
Kf5 5.a5 Ke5 6.d6 cxd6 7.c6  
dxe5 8.a6 and White's last pawn queens (a study by Tschitschirsky).  
1.a7 bxa5 2.bxa6 Kg3 and  
h5-4-3-2 mates.

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## Screen

## Narcotic confessions

**W**E ARE familiar with film stars, even film directors, who burn out in mid-career. But Julia Phillips's *You'll Never Eat Lunch in This Town Again* may be the first tale of a producer who self-destructed, throwing herself on a sacrificial pyre of drugs and drink.

Phillips helped steer to glory *The Sting*, *Taxi Driver* and *Close Encounters of the Third Kind*. According to her book, whose narcotic confessions have shaken Hollywood to its frail core, Phillips was already habitually zonked even when she took Best Film award for the first of these movies. She prepared for Oscar night, we are told, with a cocktail of Valium, cocaine, marijuana and "a glass and a half of white wine."

Before British film itself is snapped in two by the divergent pulls of America and Europe, here is a valuable time-capsule document to hide down a capsule. Centuries hence, we might even find a useful

by an informative if somewhat bland essay. Then the directors talk and the quotes flow. Derek Jarman: "I've got the furthest with the least." Lindsay Anderson: "I've asked the audience to think which is fatal really." Ken Loach: "You need a fund of anger from which to work." Alan Parker: "I'm very strong when it comes to making a movie, and nobody tells me what to do." Peter Greenaway: "The cinema - after only 90 years, about the length of the Golden Age of Dutch painting - is dying."

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"I've asked the audience to

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Ken Loach: "You need a fund

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Alan Parker: "I'm very strong

when it comes to making a

movie, and nobody tells me

what to do."

Peter Greenaway: "The cinema - after only 90 years, about the length of the Golden Age of Dutch painting - is dying."

Before British film itself is

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ssions

by an informative if somewhat bland essay. Then the question is raised: "Is the man who's gone the longest the best?" "I've got the answer," Ken Loach says. "You need to be Alan Parker." True, but when it comes to the movie, what to do? "Peter [Fonda] is dead," says Fonda. "The changes - like the years about the last 20 - are dying." Before British TV snapped in two by the same capsule rule, we might even find

"YOU'LL NEVER LUNCH IN THIS AGAIN" by Julia Phillips

TAKE 10 by Jonathan Ross and David Price

BRANDO by Richard Schickel

MAE WEST: END OF SEX by Maurice Levy

ness in its footprint today seven square miles need to be guided a few pages to be read. Jean-Louis Godard is the French director at least an "extraordinary" one, however, to Richard Gere and Meryl Streep. Mae West's Empress of Sex, though, begins with a valuable lesson about nursing: Megan helps bring a family back together again.

10.25 Paramount City.

10.45 Film: *Soylent Green*. In the year 2022, Manhattan has become grossly over-populated. Policeman Charlton Heston stumbles across an explosive government secret. Also starring Edward G. Robinson (1973).

12.40 Weather. Close.

12.45 Close.

## BBC1

7.05 Open University. 7.20 Puccini. 7.25 Kinky Boots Double Bill.

11.15 Film: *Dot and the Kangaroo*. Animated feature film directed by Yoram Gross. Dot, daughter of settlers in the Australian Outback, loses her way in the bush. She is befriended by a kangaroo who promises to help her.

12.27 Weather.

12.30 Grandstand introduced by Steve Rider. Including 12.35 Motor Racing from Silverstone: The British Grand Prix Meeting. 12.55 News. 1.00 Coverage. 2.00 Racing from Lingfield Park: The Coronation Stakes. 2.10 Gold from Gleneagles: The Scottish Open Championship. 2.30 Racing from Lingfield Park: The Bet With The tote Stakes (Lid Cup). 2.40 Gold: Further coverage. 3.00 Racing from Lingfield Park: The Krug Champagne Silver Trophy, and from The Curragh: The Irish Oaks. 3.25 Gold. Continued coverage from Gleneagles. Times are subject to change.

5.05 News and Weather.

5.20 Stay Tuned.

5.45 The Flying Doctors.

5.50 That's Showbusiness.

7.00 The Saturday Programme. Meet classical music's answer to Mel Gibson, the newsworthy Nigel Kennedy, who claims to be the only star to own an Oxford credit card. With special guests, comedian John Martin and Martin Daniels.

7.30 Column.

8.45 Film: *Foot in the Grave*. After a memorable visit from Margaret's mother, celebrating her 80th birthday, Victor and Margaret venture into the world of amateur dramatics. Comedy starring Richard Wilson and Annette Crosbie. News, Sport and Weather.

9.15 Comedy. Love's a Pain. Ash leaves a valuable lesson about nursing: Megan helps bring a family back together again.

10.25 Paramount City.

11.05 Film: *Soylent Green*. In the year 2022, Manhattan has become grossly over-populated. Policeman Charlton Heston stumbles across an explosive government secret. Also starring Edward G. Robinson (1973).

12.40 Weather. Close.

## BBC2

6.50 Open University.

2.45 *Mahabharat*. (English subtitles).

3.25 *The Sky at Night*. Saturn, the ringed planet, is now well in view during the hours of darkness low in the southern sky. A small telescope shows the main features and some of the major moons of the planet. Patrick Moore's explanations will be observed.

4.40 *The Day*. 4.45 *The Big Fish*. Action from the Million Dollar Month in Las Vegas. Includes: Men of their sister, against one of the most prized fish in the sea: the Atlantic Blue Marlin.

5.00 *Medical Matters*. Mind My Concius. Investigating the checking of blood groups before transplant operations.

4.00 *War and Peace*. Live with Radio 3. A unique Anglo-Soviet collaboration bringing Sergei Prokofiev's epic opera, lasting more than four hours, to the Kirov in a new production. The main character is the composer's birth. The cast includes Gennady Grigorovich in Count Piotr Bezukov and Olga Borodina as Countess Helene Bezukova. The opera is presented by Robert Lloyd and Valeri Gergiev conducts the chorus and orchestra. The Royal Opera House based on Tolstoy's novel. It combines a vast panorama of Russian society at the time of Napoleon's invasion with the love story of Prince Andrei Bolkonsky and Natasha Rostova.

5.30 *Bringing It All Back Home*. The Strain of the Dance. How dance has been influenced by the emigrant musicians and found its way to America. The seductive rhythms influenced a host of diverse traditions, from Bluegrass to Country and Rock. Featurring Sir Yehudi Menuhin and Ricky Skaggs.

5.35 *Video Diaries*. Sweet S.A. The story of South African anti-apartheid leader Winnie Madikizela-South Africa's first female president. The homeward journey with his black British wife. The problems they included the threat of imprisonment and a father who had disowned his son.

5.40 News and Sport. Weather.

10.45 *Alberto Sordi Season*. Made in Britain. Award-winning film starring Tim Roth as an antisocial but articulate teenage rebel.

12.00 *Critics' Choice*. Tom Lewis introduces highlights of last week's Benson and Hedges Cup Final between Lancashire and Worcestershire.

1.00 Close.

## TELEVISION

## SATURDAY

## LWT

8.00 TV Am. 8.25 Ghost Train. 11.30 A Bootie Called Derek. 12.00 The ITV Chart Show.

1.00 ITN News; Weather.

1.10 *World Sport Special*. Highlights of windsurfing from Curacao and the Dominican Republic.

1.40 *The Day*.

1.45 *The Big Fish*. Action from the Million Dollar Month in Las Vegas.

1.45 *Grandstand*. Men of their sister, against one of the most prized fish in the sea: the Atlantic Blue Marlin.

2.45 *Film: The Man Who Shot Liberty Valance*. A senator attends the funeral of an old gunslinger, and recalls the true events of a historic shoot-out. Starring James Stewart, John Wayne, Lee Marvin and Vera Miles (1962).

5.00 ITN News; Weather.

5.05 LWT News; Weather.

5.15 MacGyver.

5.15 *Bob's Your Uncle*.

7.00 *ITV in This Eye Grand Final*.

7.40 *The Ties of Us*. Ashley and Elaine decide to do their bit to save the environment. Starring Nicholas Lyndhurst and Janet Dibley. Last in series.

8.10 *Agatha Christie's Poirot*. The Adventure of Johnny Waverley. Poirot tackles a kidnapping.

9.10 ITN News and Sport. Weather.

9.30 *BBC Mystery*. Premiers of the true story of an innocent girl's death in New York, entailing a trial which almost turned the victim into the guilty party. Starring William Baldwin, Joanna Kerns and Jamie Alleluia (1989).

11.20 *ITV in This Eye Grand Final*. Lewis v Mike Weaver, from Lake Tahoe, USA. British and European heavyweight champion Lennox Lewis in his first fight against an ex-world champion.

11.50 *Shaka Zulu*. The story of tribal Africa during the 19th century. Captain Farewell persuades King Shaka to let him lead a delegation to the Cape. Starring Edward Fox, Edwina Poulton and Henry Czerny. ITN News and Sport.

1.50 *Strangers*.

2.20 *Wrestling*. ITV News Headlines.

2.20 *Film: My Uncle Benjamin*. A country doctor in 19th century rural France determines to win his love. Starring Jacques Brel and Claude Jade (1969).

5.00 *The Hit Man and Her*

## SUNDAY

## CHANNEL 4

8.00 TV Am. 9.25 *Fairy Tales: Sleeping Beauty*. 10.45 Link. 11.00 Morning Worship. 12.00 Heartland. 12.35 *Way of the Lakes*. 12.35 LWT News.

1.00 ITN News; Weather.

1.10 *International Rugby Union*.

1.20 Argentina v New Zealand. Highlights of the second and final Test in Buenos Aires: The Day.

2.10 *Film: Beau Brummell*. The rise and fall of the dandy whose friendship with the Prince of Wales left its mark on 18th century England. Starring Stewart Granger and Elizabeth Taylor (1954).

4.05 *Film: *Gas**. A career soldier is caught between English and African politics during a rebellion in an emergent African state. Starring Richard Attenborough and Flora Robson (1984).

6.00 *City Safari*. Urban wildlife series. Including unique footage of the variety of animals that can be found in Buckingham Palace Gardens.

6.20 ITN News; Weather.

6.45 *Lorraine*. Brussels, Belgium - Treasure City.

7.15 *Wildlife Classics: Kingdom of the Ice Bear*. The Frozen Ocean. The first programme in a series of three concerns the changing seasons and wildlife of the Arctic. It follows the life cycle of the people of the north. The programme contains unique footage of three polar bear cubs as they peer out of their den for the first time. The programme is narrated by Hywel Bennett.

8.10 *The Redemption Song*. Paradise Lost. Jamaican presenter Stuart Hall continues his series concerning Caribbean history with a visit to the Dominican Republic.

9.00 *In My Defence*. Neither Prison nor Chains. Michael Pennington stars as Franz Jagerstatter, an Austrian Catholic who refused to fight for the Nazis and died for his beliefs.

9.30 *British Grand Prix*. Murray Walker and James Hunt provide commentary for highlights.

10.15 *Film: At Close Range*. An effective drama in which Sean Penn plays the part of a son who goes to his real father for the first time, only to discover what a dangerous man his father is. The film also stars Christopher Walken and Kiefer Sutherland (1989).

11.20 *ITV Chart Show*; ITN News Headlines.

1.40 *New Music*.

1.40 *Pick of the Week*; ITN News Headlines.

3.15 *Film: John Wayne*. A convicted stockholder's son turns criminal. Starring Tyrone Power and Edward Arnold (1940).

4.35 *The Magic Wok*.

12.15 Close.

## CHANNEL 4

8.00 Early Morning. 9.25 Sing and Swing. 9.30 A Century of Childhood. 10.30 Check Out. 11.30 Wagon Train. 11.30 Australian Rules Football. 12.30 pm The Murders.

1.00 *Film: This Above All*. A deserter from the Second World War is reformed by his love of a WAAF. A romantic drama starring Tyrone Power and Jean Fontaine (1942).

3.05 *Channel 4 Racing* introduced by John Freeman, including from York and 3.10 John Smith's Bitter Handicap. 3.40 Grand Prix Silver Cup Starts. 4.15 John Smith's Bitter Magnet Cup. and 4.45 Beamish Handicap Stakes. From the Curragh, the 3.20 Kildangan Stud Irish Oaks.

5.10 *Brooklands*.

6.30 *Tour de France* 1991. Individual Time Trial (72km), Argenton to Alencon. The longest time trial of the race.

7.00 *The World This Week*. Sheena McDonald and Nick Gowling present news, views and in-depth reports from around the world.

8.00 *Kings of the East*. The Mother Who Never Dies. The programme investigates the effect that the arrival of human beings has had on the unique animal and birdlife of New Zealand during the course of 600 years. Previously shown on TV.

9.00 *Film: Lift to the Scaffold*. An expert witness tries to dispose of his millionaire ex-wife husband. Louis Malle's first film, starring Maurice Ronet and Jeanne Moreau (1957). (English subtitles).

10.45 *The Oprah Whitney Show*. Computer Dating. Oprah's audience members are asked to identify each of whom is looking for her ideal partner. Several will be matched up with partners by computer in the course of the show.

11.35 *My Brother Tom*. Final part of the Australian mini-series set in a small township in 1938. Tom and Peggy are determined that their love will survive in spite of the bitter feud developing between their families.

1.25 *Tour de France* 1991.

1.30 Close.

## REGIONS

ITV Regionals as London except at the following times:

**ANGLIA:** 1.05 News and Weather. 1.10 *Reindeer National Aerobic Championships*. 1.10 *East Anglia Game Show*. 1.15 *Check Out*. 1.20 *Wagon Train*. 1.20 *The A Team*.

**SCOTLAND:** 1.05 Headlines, followed by *Le Dundonn*. 1.40 *The Edinburgh Touch*. 1.40 *Coronation Street*. 1.45 *Friendship Games*. 1.55 *Scotland Tonight*. 1.55 *The A-Team*.

**WALES:** 1.05 Headlines, followed by *It's a Knockout*. 1.15 *TV Wales* except

**SCOTLAND:** 1.05 Headlines, followed by *It's a Knockout*. 1.15 *TV Wales* except

**Wales:** 1.05 News. 1.15 *Hard Time on Planet Earth*. 1.25 *The Greatest Show on Earth*. 1952. 1.30 *Carson*. 3.05 *News*. 5.15 *The A-Team*.

**GRANADA:** 1.05 Headlines, followed by *It's a Knockout*. 1.15 *TV Wales* except

**Wales:** 1.05 News. 1.15 *Hard Time on Planet Earth*. 1.25 *The Greatest Show on Earth*. 1952. 1.30 *Carson*. 3.05 *News*. 5.15 *The A-Team*.

**CHANNEL 4:** 1.05 News. 1.15 *Hard Time on Planet Earth*. 1.25 *The Greatest Show on Earth*. 1952. 1.30 *Carson*. 3.05 *News*. 5.15 *The A-Team*.

**SCOTLAND:** 1.05 Headlines, followed by *It's a Knockout*. 1.15 *TV Wales* except

**Wales:** 1.05 News. 1.15 *Hard Time on Planet Earth*. 1.25 *The Greatest Show on Earth*. 1952. 1.30 *Carson*. 3.05 *News*. 5.15 *The A-Team*.

**WALES:** 1.05 Headlines, followed by *It's a Knockout*. 1.15 *TV Wales* except

**Wales:**

# Take him seriously? He could be joking

Nigel Andrew asks Woody Allen why he is using his famous comic persona less in his films

"IT'S JUST pure instinct" says Woody Allen, challenged to explain how a comedian creates comedy. "It's like an ear for music or a talent to draw.

"I can't imagine not being able to write jokes. I used to go in and write 50 gags a day when I was 16 years old and working for a press agent in New York. Every day, 50 gags after school: hand them in, then go home. I have no idea why I can do it. It's just a talent, a lucky talent."

**W**oody Allen is the most famous screen comedian since Charlie Chaplin. Like Chaplin, his face and appearance are so distinctive that you could sketch them on an envelope and they would be recognisable from Bali to Birmingham. Like Chaplin, he writes, directs and controls his own movies. And like Chaplin his work has darkened as he has grown older.

For 15 years, from his first album to the film *Annie Hall*, Allen was the king of comedy. He made us laugh not just because he told jokes but because he invented a quintessential 20th century persona. He was the Hopeless Loser, the malfunctioner in a world of sexual liberation and social one-upmanship, of machines and psycho-analysts, health fads and bureaucracy.

Audiences identified with this human gaffy with the black-rimmed spectacles, insect-whine voice and shoulders made for passionate shrugs. When he made cracks like "I don't want to be immortal through my work, I want to be immortal by not dying," they laughed the laughter of psychical recognition.

I went to meet Allen and learn why we are seeing more of his dark side; to discover what has made the director of *Bananas*, *Annie Hall* and *Manhattan* make grim-faced films, out of Ingmar Bergman by Anton Chekhov, such as *September* and *Another Woman*. And why he is retreating behind the cameras instead of delighting us in front of them.

He was shooting a film in a 5th Street penthouse. I found him on the pavement but failed at first to recognise him. The world's highest-profile humorist was wearing a floppy sun hat that shaded unexpected features of a dazzling pelt. If you need proof of Allen's legendary reclusiveness, only look at the completion; it seems to have been withheld from the sun for about 35 years.

Was he shooting his new film *Shadows And Fog*? "No, I've finished that," he said in the lift. "Today I'm doing a commercial for Italian TV." So when do we see *Shadows And Fog*? "It's coming out in the Fall over here. In Britain, I think, next year."

"It's an offbeat comedy," he's

*"As long ago as Annie Hall, people were saying, 'Why isn't he still making Bananas?'"*

specific technical skills. Tragedy is ultimately more satisfying — comedy's not as profound a confrontational experience."

The Woody Allen persona — sun hat doffed and black-rimmed glasses donned — takes shape before we like a celebrity photo-fit. This is the Allen the world knows. Or does it? With *Shadows And Fog* completed and its predecessor *After* — a whimsical comedy about a rich Manhattanite (Mia Farrow) breaking loose which is due to reach Britain next week — Allen has notched up 20 feature films. But as the total has risen, his appearances have become less frequent.

"Perhaps it's best people don't get so much of me," he says. "If I'm in every film, there's a risk of satiation. And for me as a film-maker, it's



important to evolve and change. It's a big trap when people approve of what you do and pleasureably anticipate the next thing. It becomes a tacit contract. As long ago as *Annie Hall*, people were saying, 'Why isn't he still making *Bananas*?'

Allen maintains a unique relationship with Orion Pictures. He is free to write his own scripts and choose his own casts; he has right of final

"They [Orion] don't bother me. We have a relationship of trust. They know I'm not going to make a crazy or pornographic film. And they know my pictures are not exploitative."

But they surely had a seizure when Allen made his most famous recent decision: to re-cast and re-shoot the whole of his grim Chekhovian drama *September*. "I'd do it a third time if I could! The logistics were manageable because it was all on one set. I couldn't have done it with a film like *Another Woman* or *Alice*."

"But I did re-shoot the section I started in of *Crimes And Misdemeanors* [his two-stories-in-one film] which is 50 per cent of the movie. I wasn't happy with it. It wasn't sharp enough or funny enough. So I completely re-wrote it and brought in the Alan Alda character, who was brand-new at that point."

Creating comedy can clearly be agonising. "The basic idea was that the desire to conform leads to Fascism."

As with Chaplin, who first sloughed his tramp costume to play Hitler, tyranny is a favourite target. Like many American comics, Allen is Jewish. Jewish jokes abound in his films and references to the

fulcrum are as legion as in the work of his rival Mel Brooks.

But more immediate world evils may be less easily laughed off. Though comedy has traditionally poked fun at authority figures, what happens when the authority figures seem ever plumper or more compromised? Or when, as in *Crimes And Misdemeanors*, bad works flourish while the "eyes of God" cloud over or close completely?

"One of the themes of the film I've just finished is this

notion of evil. And I notice that 'Evil' is the current cover of Time magazine. It's a reflection of the world we live in: the fact that there is so little justice and that in our society, at every level right up to the White House, what you can 'get away with' is what is allowed.

"People know that Bush was lying in his Presidential campaign. I used to think that when people elected Nixon, it wasn't that they didn't see he was lying. It was that they knew he was lying, but something resonated positively in them about him. They knew he was like them, so they voted for him because he personified their own values of acquiescence, of meekness. Every boy I knew grew up in the Fifties when Nixon ran for vice-president with Eisenhower. Knew the man reeked of sleaze. And we were kids; you didn't have to be a political pundit."

Perhats at the heart of Allen's darkening vision, it is the world's failure to find convincing authority figures, spiritual or temporal.

"My generation grew up with no real religious beliefs and our leaders have not been good moral examples. So each individual makes his own choice as to how to live. You can decide to lead an honest, morally responsible life. Or you can go the other way and side with evil. As I said in *Crimes And Misdemeanors*, if Hitler had won the war we'd have totally different textbook views of history and morality. Our views are defined by those powerful enough to shape the world and write its history."

The man on the sofa with me is turning into Savonarola by the minute. But the fascinating thing about Allen's voice when roused to anger or passion is that it is recognisably the same as when roused to humour: that Brooklyn-born sing-song rich with indignation and incomprehension. I hear echoes of Allen in *Annie Hall* delivering his anti-West Coast diatribes ("The only cultural advantage in Los Angeles is that you can turn right at a red light"), or in *Crimes And Misdemeanors* recalling the day his wife stopped having sex with him. ("It was April 20th. I remember because it was Hitler's birthday").

No one in this century has raised complaining to a higher art or questioning bewilderment to a wittier one. In a world where the phrase "our betters" has been largely discredited perhaps the true voice of authority is not the one which pretends to give answers but the one which goes on asking awkward, querulous, passionate questions.

# The wages of greed

Dominic Lawson

SOMEHOW I find it very difficult to feel sorry for the councils which have lost \$100m in the collapse of the Bank of Credit International. But then I also feel sympathy for those who had sunk their funds in Barlow Clowes. This may be because I am a hard-hearted, unfeeling person, who cares only for his own financial well-being. But I hope there is some other reason for my dry-eyed state.

As I recall, both BCCI and Barlow Clowes attracted money by offering rates of return higher than those generally available elsewhere. It is clear that those investing in these institutions had probably never heard of them until they made the decision to entrust their money with them. In the case of BCCI almost the only thing that the financial officer of a council might have known was that the bank had been involved in money laundering for General Noriega.

As Christopher Hedges writes in the current issue of *The Spectator*: "Hands up, anyone who thought there wasn't a fraud at BCCI, the world's most bizarre bank." I should add that a close relative of mine has suffered greatly as a result of the debacle in the London insurance market. I feel a great anger against those who have lost her money, but I do not believe that their victims should be reimbursed by taxpayers, the overwhelming majority of whom will never accumulate enough capital to be Lloyd's names themselves.

If I am being completely honest, I must admit that there is, in my ungenerous reaction, an element of self-righteousness. I have always been absurdly cautious with money, to the extent that I have turned down every interesting opportunity for investment that has ever been offered to me. When I have inherited equities, I have generally turned them into stodgy, fixed-interest accounts, with a maturing bank or building society, keeping only the bluest of blue chip shares.

In other words, while I am not particularly interested in making a lot of my money, I am terrified of losing any of it. So, when I read of disasters such as BCCI or Barlow Clowes, I feel the warm glow of a prejudice confirmed.

■ Dominic Lawson is editor of *The Spectator*.

# On the run with the last dry

Ralph Atkins

**L**UNCH with the last remaining Thatcherite government minister was not of the gastronomic and gossip-mongering excess to which I have become accustomed since joining the media troupe in the cramped turtleneck offices at Westminster.

Our deliberation, of course, never took place. Just as the prime minister's press secretary never gives unattributable briefings, so the upstairs room at Chico's restaurant in Covent Garden — an establishment for the influential and wannabe-influentials — never witnessed our meeting. If you press me, I shall deny it ever took place.

Lunch is such an established part of Britain's 700-year-old democracy. Ministers are humoured, freed from their red boxes and inimitable mandarins, to drink Chablis at the expense of unknown newspaper proprietors, like gazelles sharing a watering hole with the lions.

Journalsists laze, looking for the winks and infections over chicken breasts and chocolate route. Then they hitch a lift in the walnut-panelled ministerial cars to be whisked through Parliament's gates for a late start to the day's legislative business.

That was not a game-plan my ministerial guest shared. I had scarcely taken my seat at a quiet table by the window, when there was a bustle at the door.

D deferentially, I rose from my seat:

"Ralph Atkins, my pleasure to meet you."

"Hi," the minister replied with maximum efficiency, his eyes sparkling con brio. "Let's eat."

The grey-haired waiter in blue shirt and matching dickey-bow, clicked to attention, thrusting over long menus into my hands and the minister's.

"No, no, I'll just have some salmon and salad," my guest insisted, laying his menu on the table. I jerked; my eyes had not got

beyond the starters on Chico's bacchanalian menu.

"Would sir like a first course," the waiter asked, still wondering if he should know who the minister was.

"No, just cold salmon with salad," the minister decided, not realising that Chico's does not descend to simple fish.

"I will see what the chef can do," the waiter offered, but the minister had not finished.

"And I'm in a bit of a hurry, so as quickly as possible," he said.

I blanched, the waiter booted: "I can only go as fast as I can," he sniffed before

taking my hastily-selected order.

Conversation started with generalities but soon, adu was eschewed, and off we went on a journey around European Community directives, legislative by-ways and brain-stretching free-market theology.

The ministers identity, by lobby hacks' rules, has to be secret. It is not a great loss. Recently-appointed, his name and handle would only be familiar to few even in his constituency.

But he is an unashamed avatar of Margaret Thatcher, a Jacobite zealot, for whom a mere rout would not temper his fanaticism.

My mind wandered in despair. Behind, England's football manager sat with rotund colleagues, quenching sporty thirsts with wine from silver ice pails. At

the next table, a regimental gent and florid lady discussed the recession.

"Can you see an economic recovery yet?" I asked the minister, trying to rescue our conversation.

"Yes, you can tell by how full the restaurants are," he ventured unconvincingly. "And have you seen how much champagne they are drinking in the City? Unless it's for redundancy parties."

Hurrah! The food arrived. A waiter, far more interested in English formations than Adam Smith's philosophy, ground the pepper mill with menace. The minister grasped his cutlery, his shirt sleeves riding up the arms of his jacket as if flaring for battle.

Desperate to blather, I turned the talk to Mrs Thatcher. "It's so sad what happened," the minister said. A colleague had had to stay for the weekend: "He's exhausted."

"Major! I suppose he was who most people wanted."

Thatcherites, the minister insisted, doggedly, would go on and on in dry Whitehall enclaves, awaiting the day one of their number will lead a resurrection. It was the sleeper theory.

We drank coffee with dash, the minister minding his watch. As he stood to go, I asked for a lift. He looked agast at the professionalism of the beggin.

"OK," he muttered and I jumped in the back of the saloon.

As we glided along, I struggled with the rear safety belt. "I didn't realise they were compulsory either," the minister confessed. "We are living in a nanny state."

A few hours later, the minister was performing at the Commons' despatch box, as earnest as ever, his eyes still glaring. I signed. Didn't he see, politics need not be so intense and grey? Better be careful, he could become prime minister.

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